BELLWAY P.L.C. ('BELLWAY' OR THE 'GROUP'), THE NATIONAL HOUSEBUILDER, ANNOUNCES TODAY, TUESDAY 15 OCTOBER 2024, ITS PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JULY 2024.

Summary

Resilient performance and well-positioned for strong multi-year growth

	Year ended 31 July 2024	**Year ended 31 July 2023**	**Movement**
Housing completions	7,654	10,945	(30.1%)
Revenue	£2,380.2m	£3,406.6m	(30.1%)
Underlying performance measures:			
Gross profit (underlying)	£381.1m[2,3]	£687.3m[2,3]	(44.6%)
Gross margin (underlying)	16.0%[2,3]	20.2%[2,3]	(420 bps)
Operating profit (underlying)	£238.1m[2,3]	£543.9m[2,3]	(56.2%)
Operating margin (underlying)	10.0%[2,3]	16.0%[2,3]	(600 bps)
Profit before taxation (underlying)	£226.1m[2,3]	£532.6m[2,3]	(57.5%)
Earnings per share (underlying)	135.2p[2,3]	328.1p[2,3]	(58.8%)
RoCE (underlying)	6.9%[2,3]	15.8%[2,3]	(890 bps)
Statutory and other measures:			
Adjusting items (pre-tax)	£42.4m	£49.6m	(14.5%)
Profit before taxation	£183.7m	£483.0m	(62.0%)
Earnings per share	109.8p	297.7p	(63.1%)
Proposed total dividend per share	54.0p	140.0p	(61.4%)
Net asset value per share	2,913p[2]	2,871p[2]	+1.5%
Net (debt)/cash	(£10.5m)[2]	£232.0m[2]	(104.5%)
Land bank (total plots)	95,292[4]	98,164[4]	(2.9%)

Jason Honeyman, Group Chief Executive, commented:

"Bellway has delivered another resilient performance despite the challenging operating conditions during the year. While a lower order book at the beginning of the financial year drove the reduction in the number of housing completions, customer demand through the second half benefitted from a moderation in mortgage interest rates which has eased affordability pressures and supported an increase in reservations.

The combination of these improving trading conditions and our strong outlet opening programme has generated a healthy increase in the year end order book. As a result, we are well-placed to deliver a material increase in volume output in financial year 2025.

We welcome the new Government's plans to reform the planning system, which in time is expected to unlock land supply and support an increase in new housing across the country. Against this improving backdrop and if market conditions remain stable, our operational strength and robust balance sheet, combined with the depth and quality of our land bank, provide an excellent platform for Bellway to deliver strong multi-year growth and to continue creating long-term value for all our stakeholders."

Financial performance in line with our expectations

- Total housing completions of 7,654 homes (2023 – 10,945), at an overall average selling price of £307,909 (2023 – £310,306).
- Total revenue reduced by 30.1% to £2,380.2 million (2023 – £3,406.6 million), due to the lower starting forward order book and challenging trading conditions, particularly in the first half of the financial year.
- Customer confidence gradually improved throughout the year, driven by a moderation of both mortgage interest rates and consumer price inflation, and an increase in wages. Combined with an increase in outlet numbers, this led to a 13.8% rise in the private reservation rate to an average of 124 per week (2023 – 109).
- The private reservation rate per outlet per week increased by 10.9% to 0.51 (2023 – 0.46). The private reservation rate per outlet per week in the second half of the financial year increased to 0.58 (six months to 31 July 2023 – 0.53) compared to 0.43 in the first half (six months to 31 January 2023 – 0.38), driven by the improving trading backdrop and a seasonal uplift through the spring.

- The underlying operating margin was in line with previous guidance at 10.0%[2,3] (2023 – 16.0%), with the reduction reflecting the effect of lower volume output, cost inflation and the use of targeted sales incentives, together with higher site-based overheads due to the slower sales market since the summer of 2022.
- Underlying profit before taxation was £226.1 million[2,3] (2023 – £532.6 million) and in line with our expectations.
- Adjusting items relating to net expenses associated with legacy building safety of £37.0 million (2023 – £49.6 million) and aborted transaction costs of £5.4 million (2023 – £nil), resulted in reported profit before tax of £183.7 million (2023 – £483.0 million).
- Underlying RoCE was lower at 6.9%[2,3] (2023 – 15.8%) due to the decrease in both asset turn and the underlying operating margin. The Group has a strong platform from which to increase volume output, and the Board expects this to support an improvement in RoCE from the current financial year.

High-quality land bank to support outlet opening programme and volume growth ambitions

- The Group has a high-quality land bank which comprises 95,292 plots[4] (2023 – 98,164 plots).
- Bellway's owned and controlled land bank of 48,887 plots (2023 – 53,629 plots) remains healthy and provides good visibility with regards to outlet openings in the current financial year and beyond.
- The Group traded from an average of 245 outlets (2023 – 238), an increase of 2.9%, driven by the strength of our land bank and targeted approach to land acquisition, and was achieved despite the delays in the planning system.
- Our site teams successfully opened 80 new sales outlets during the year, and in financial year 2025 we currently expect to open around 50 new sales outlets and maintain the average number at around 245.
- Overall, during financial year 2024, the Group contracted to purchase 4,621 owned and controlled plots (2023 – 4,715 plots) across 27 sites (2023 – 35 sites) with a total contract value of £344.8 million (2023 – £378.2 million).
- The improving economic outlook in terms of both lower interest rates and house price stability has supported an increase in our activity in the shorter-term land market in recent months, with Heads of Terms agreed on around 8,100 plots at 29 September 2024.
- Building on the expansion of our strategic land bank in recent years, the Group entered into option agreements for 35 sites (2023 – 19 sites), which has enhanced our longer-term growth prospects and overall land supply for a relatively low initial capital outlay.
- Bellway's strategic land bank comprises 45,500 plots (2023 – 43,600 plots), providing the Group with an excellent platform for growth in the years ahead, with this further supported by the new Government's proposed reforms to the planning system.

Robust and well-capitalised balance sheet

- Bellway has a strong balance sheet, with low year-end net debt, in line with expectations, at £10.5 million[2] (2023 – net cash of £232.0 million), and modest adjusted gearing, inclusive of land creditors, of 6.8%[2] (2023 – 4.0%).
- The Group has access to significant levels of committed debt finance, totalling £530 million, and this provides ongoing financial resilience while supporting land investment and our growth ambitions. We expect to end the current financial year maintaining a low level of adjusted gearing[2].
- The proposed total dividend per share is 54.0p (2023 – 140.0p) which reflects reduced underlying earnings, and is in line with the Board's previously stated policy of underlying dividend cover of 2.5 times[2,3].

'Better with Bellway' – our responsible and sustainable approach to business

- The efforts of our colleagues in delivering our 'Better with Bellway' sustainability strategy have been reflected through multiple industry awards, including 'Large Housebuilder of the Year' and 'Best Staff Development Award' at the 2023 Housebuilder Awards.
- The Group's flagship 'Future Homes' research project into carbon reduction at the University of Salford has also won several accolades, including 'Best Sustainability Initiative' at the 2023 Housebuilder Awards and 'Major Project of the Year' at the 2023 National Sustainability Awards.
- Supported by several initiatives across the business, strong progress has been made in lowering our carbon footprint as we continue reducing the Group's emissions. This includes the Group's scope 1 and scope 2 carbon emissions, which have reduced by 44.7% since our base year of 2019, and we are in an excellent position to meet our goal of a 46% reduction significantly ahead of the 2030 target.
- Timber frame construction offers a proven range of operational, financial and environmental benefits. Following successful trials across the Group in recent years, Bellway is targeting an increase in timber frame usage, to around

30% of housing output by 2030, and this will be delivered, in part, through 'Bellway Home Space', our new proprietary timber frame production facility.

- Our ongoing focus on providing high-quality homes and service for our customers has resulted in Bellway retaining its position as a five-star[5] homebuilder for the eighth consecutive year.
- Bellway remains fully committed to acting responsibly with regards to building safety, and we continue to make good progress on assessing and remediating legacy properties through our dedicated Building Safety division. Since the start of our remediation programme, the Group has spent £146.3 million on legacy building safety issues.
- An additional net £37.0 million has been recognised in relation to legacy building safety issues, as an adjusting item. This includes an additional £15.3 million for structural defects in relation to an isolated design issue with the reinforced concrete frame of an apartment scheme in London, identified in financial year 2023.

Encouraging recent trading and improving outlook

- The combination of the improvement in trading and growth in outlet numbers led to a strong increase in the forward order book in financial year 2024. This comprised 5,144 homes (2023 – 4,411 homes) and increased in value by 18.4% to £1,412.9 million[2] (2023 – £1,193.5 million) at 31 July 2024.
- Since the start of the new financial year, customer demand has remained robust and has been supported by an overall reduction in mortgage rates over the summer.
- In the nine weeks since 1 August, and against a weak comparative, the private reservation rate increased by 48.5% to 147 per week (1 August to 1 October 2023 – 99), representing a private reservation rate per outlet per week of 0.59 (1 August to 1 October 2023 – 0.41).
- The private reservation rate includes bulk investor sales, on attractive financial terms, totalling 232 homes (1 August to 1 October 2023 – 71 homes) and representing a contribution of 0.10 to the private reservation rate (1 August to 1 October 2023 – 0.03).
- Reflecting recent trading and volume output, the forward order book at 29 September 2024 remained at a healthy level, comprised 5,109 homes (1 October 2023 – 4,636 homes) and had a value of £1,427.9 million[2] (1 October 2023 – £1,232.3 million).
- The strength of the Group's forward order book, outlet opening programme and work-in-progress position provides Bellway with an excellent platform to deliver a material increase in volume output in financial year 2025.
- If market conditions remain stable, the Group is targeting to deliver completions of at least 8,500 homes in the current financial year (2024 – 7,654 homes), and as was the case in financial year 2024, volume output is expected to be weighted towards the first half (half year ended 31 January 2024 – 53.5%).
- We are aiming to retain a healthy forward order book at the end of the current financial year (2024 – 5,144 homes) to serve as a platform for further growth in volume output in financial year 2026.
- Overall, pricing has remained firm across our regions, and in financial year 2025 we currently expect the average selling price to be around £310,000 (2024 – £307,909), and the underlying operating margin to approach 11.0%[2,3] (2024 – 10.0%).
- The combination of Bellway's operational and financial strength leaves the Group very well-placed to deliver long-term sustainable growth and ongoing value creation for shareholders.

1 All figures relating to completions, order book, reservations, cancellations, and average selling price exclude the Group's share of its joint ventures, unless otherwise stated.
2 Bellway uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in note 14.
3 Underlying refers to any statutory performance measure or alternative performance measure before net legacy building safety expense and exceptional items (note 3).
4 Includes the Group's share of land owned and controlled through joint venture partners comprising 905 plots (2023 – 935 plots).
5 As measured by the Home Builders' Federation using the eight-week NHBC Customer Satisfaction survey.
6 Comparatives are for the year ended 31 July 2023 or as at 31 July 2023 ('2023') unless otherwise stated.

Results presentation, webcast and conference call

A presentation to investors and analysts will be held at the offices of Deutsche Numis at 9.00am today.

A listen-only webcast and conference call will accompany the presentation. To join the webcast, go to the Bellway p.l.c. corporate website, www.bellwayplc.co.uk/investor-centre.

To join via the conference call, participants should dial +44 (0)33 0551 0200 and quote 'Bellway Full Year Results' when prompted by the operator.

A playback facility will be available on our corporate website shortly after the presentation has finished.

For further information, please contact:

Jason Honeyman, Group Chief Executive
Keith Adey, Group Finance Director
Gavin Jago, Group Investor Relations Director

Tel: +44 (0) 191 217 0717

Chair's Statement

Introduction

Bellway has successfully navigated a period of challenging trading conditions since the summer of 2022, and we are encouraged that the housing market outlook is now improving. On behalf of the Board, I would like to thank our colleagues, subcontractors and supply chain partners, who have shown continued resourcefulness and commitment to providing high-quality homes and service for our customers.

The hard work and dedication of our teams has been recognised through several industry accolades, including 'Large Housebuilder of the Year' at the 2023 Housebuilder Awards. I am also delighted that Bellway has been awarded five-star[5] homebuilder status by the HBF for the eighth consecutive year.

Strategic priorities

The Group has a clear focus on maintaining financial and operational strength to enable ongoing value creation for shareholders through the delivery of our strategic priorities. Further details of these priorities are set out below:

- Deliver long-term volume growth;
- Drive a long-term improvement in RoCE; and
- Operate responsibly and sustainably through our 'Better with Bellway' strategy.

Long-term volume growth

The Group is encouraged by the improving economic outlook in terms of both lower interest rates and house price stability. We also welcome the new Government's focus on addressing the ongoing shortfall of housing and its recognition of the importance of housebuilding to drive sustained economic growth. Bellway supports the Government's plans to reform the planning system to drive a marked increase in the supply of new homes across the country.

Given this improving backdrop and the combination of our strong land bank, healthy forward order book and work-in-progress position, the Board is confident that the Group has an excellent platform to build on its proven track record of organic volume growth in the current financial year and beyond. Bellway's balance sheet strength will enable future investment to further support our plans for multi-year volume growth.

Bellway has a strong operational structure, currently with 20 trading divisions, which have capacity for material organic volume growth. The Group also has the potential to scale up this structure, and given a mature division can typically deliver annual volume output of around 650 completions in a stable market, we have scope to significantly increase overall volume output in the years ahead. The long-term fundamentals of the UK housebuilding industry remain positive and Bellway will continue to play an important role in meeting the growing need for new homes across the country.

Long-term improvement in RoCE

The Group is focused on driving both profitable growth and a long-term improvement in RoCE, given the positive compounding effect on shareholder value that this can create.

While lower profitability in financial year 2024 led to a reduction in underlying RoCE to 6.9%[2,3] (2023 – 15.8%), we are pleased that the significant industry headwinds faced in the last two years, including affordability pressures and cost inflation, are receding from the previous elevated levels. Given the improving market backdrop and the strength of our order book and outlet opening programme, we have a strong platform from which to begin a recovery in RoCE from the current financial year.

To help sustain this recovery, and in addition to our ongoing management of costs, we expect to deliver additional volume output from our strategic land bank in the years ahead. Supported by the Government's plans to reform the planning system and unlock land supply, our strategic land bank will underpin our long-term volume growth aspirations and, in turn, help to improve asset turn and margin.

We are also increasing the use of timber frame construction across the Group, which can improve build efficiencies and asset turn, as well as reducing carbon emissions in the supply chain. As part of this strategy, we are planning to open our own timber frame production facility, 'Bellway Home Space', to help meet our target of growing timber frame construction to around 30% of housing output by 2030.

These areas of focus, together with an improvement in operating margin, can support a recovery in underlying RoCE and, combined with our ongoing investment in land with compelling financial returns, the Board remains optimistic that Bellway is well-placed to deliver a normalised underlying RoCE of up to 20%[2,3] over the longer-term.

'Better with Bellway'

'Better with Bellway' is the Group's strategy and long-term commitment with regards to acting responsibly and sustainably. The strategy outlines ambitious targets in respect of our three flagship areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice.

Supported by several research projects underway across the business, strong headway has been made in laying the foundations for a lower carbon footprint as we work towards a significant reduction in the Group's emissions by 2030. The Group's scope 1 and scope 2 carbon emissions have reduced by 14.1% compared to the prior year and by 44.7% since our base year of 2019, and we are in an excellent position to meet our goal of a 46% reduction by 2030 significantly ahead of target.

Reflecting our focus on build quality and customer service, we are proud to have retained our position as a five-star[5] homebuilder for the eighth consecutive year. There has also been an excellent response to our most recent employee engagement survey and, despite the ongoing challenges in the market during the year, 87% of colleagues (2023 – 89%) said they would recommend Bellway as 'a great place to work'.

In addition to the flagship priority areas, the 'Better with Bellway' strategy includes targets in respect of biodiversity, resource efficiency, charitable engagement, sustainability throughout the supply chain and building quality homes, safely. Through a range of initiatives, we have embedded 'Better with Bellway' across the Group's operations, and we are proud that the efforts of our colleagues have been recognised through several industry awards. More details are set out later in this report and are also available on our website at www.bellwayplc.co.uk/sustainability.

In relation to building safety, our ongoing focus on this serious matter is reflected by the proactive approach to assessing and remediating schemes through our dedicated Building Safety division, and the Group is making every effort to further accelerate progress in this area.

Since the start of our remediation programme, the Group has spent £146.3 million on legacy building safety issues. Notwithstanding the ongoing complexities with regards to building safety, Bellway is focused on completing works as promptly and efficiently as possible, and we expect to continue making strong progress with our programme of remediation in the current financial year.

Delivering value creation for shareholders

The successful delivery against our strategic priorities will ensure the Group continues to generate long-term value for shareholders, and the Board believes this is best gauged through increasing NAV per share and supplemented by regular dividends. Over the last decade, Bellway has delivered a strong annualised accounting return in NAV and dividends paid of 13.6%[2].

In the year ended 31 July 2024, NAV per share rose modestly to 2,913p[2] (2023 – 2,871p), with the effect of lower volume output and earnings offset by the benefits of our value-driven approach to capital allocation. This included the positive effect of the final tranche of the £100 million share buyback, which completed in October 2023, and £131.7 million of dividend payments made during the year.

The Board has recommended a final dividend for financial year 2024 of 38.0p per share (2023 – 95.0p). This brings the total proposed dividend to 54.0p per share (2023 – 140.0p) and, if approved, the overall dividend will be covered 2.5 times[2,3] by underlying earnings (2023 – 2.3 times), in line with the Board's previously stated policy.

Looking ahead, the strength of our land bank and balance sheet provides the Group with optionality, and the reinvestment of capital into compelling land opportunities will continue to be balanced with future shareholder returns.

Board changes

Simon Scougall has recently joined the Board in the newly created executive role of Chief Commercial Officer. Simon has held a number of senior positions within Bellway over the past 13 years, including Group General Counsel and Company Secretary, and joined the Board on 1 August 2024. We look forward to working with Simon in the years ahead as he continues to support the Group in the delivery of our strategy.

Cecily Davis joined the Board on 1 May 2024 as an independent Non-Executive Director. Cecily's expertise as an engineering, procurement and construction lawyer combined with her experience as a Non-Executive Director and strong commitment to the improvement of ESG in the construction sector, has further strengthened the Board.

As previously announced and following a successful career that has spanned over 15 years with Bellway, Keith Adey, Group Finance Director, is to step down from his role on 1 December 2024. Keith will remain on the Board as an Executive Director until 21 March 2025. On behalf of the Board and everyone at Bellway, I want to place on record our sincere gratitude for Keith's significant and highly valued contribution to Bellway's growth and sustainability strategy, and for his dedicated service over the years.

Following a thorough recruitment process for Keith’s successor, and as announced on 11 October 2024, Shane Doherty will join the Board as our new Chief Financial Officer on 2 December 2024. Shane brings a wealth of financial and sector experience to Bellway, having most recently held the same position at Cairn Homes plc, and we look forward to welcoming him to the Group.

Future long-term success

Bellway has an experienced leadership team with operational strength-in-depth across the organisation. Given these qualities and our robust balance sheet, I am confident that the Group is well-positioned to capitalise on future growth opportunities, deliver against our strategic priorities and create a positive outcome for our stakeholders over the long term.

John Tutte
Chair
14 October 2024

Chief Executive's Market and Operational Review

Market

Customer confidence gradually improved throughout the year, driven by a moderation of both mortgage interest rates and consumer price inflation, and an increase in wages. Trading patterns were less volatile than the prior financial year when rapid changes in borrowing rates led to significant variations in customer demand. We have been encouraged by the improvement in affordability during the year and the relative stability in mortgage interest rates since January 2024. Overall, this led to a reduction in the cancellation rate to a normalised level of 14% (2023 – 18%).

The private reservation rate was 13.8% higher than the prior year at an average of 124 per week (2023 – 109), with the improvement driven by stronger demand and an increase in outlet numbers. The private reservation rate per outlet per week increased by 10.9% to 0.51 (2023 – 0.46) including a small contribution from bulk investor sales of 0.02 (2023 – 0.01). The private reservation rate per outlet per week in the second half of the financial year increased to 0.58 (six months to 31 July 2023 – 0.53) compared to 0.43 in the first half (six months to 31 January 2023 – 0.38), reflecting the improving trading backdrop and a seasonal uplift through the spring.

The overall reservation rate, including social homes, rose by 3.2% to 161 per week (2023 – 156). The more modest rate of increase reflects the planned reduction in social housing completions, in both financial years 2024 and 2025, compared to the elevated level achieved in financial year 2023. This is in line with expectations and follows a period in which the Group accelerated the construction of social homes as part of a wider programme of cash generation and maintaining financial resilience when trading conditions became challenging in late summer 2022.

The Group traded from an average of 245 outlets during the year (2023 – 238), in line with our expectations, with a closing position of 250 outlets at 31 July 2024 (2023 – 240). The 2.9% increase in average outlets was driven by the strength of our land bank and targeted approach to land acquisition and was achieved despite the ongoing delays in the planning system.

Bellway's focus on traditional two-storey family housing attracts a wide range of customers and, notwithstanding variations in mortgage rates during the year, demand for our high-quality new homes was supported by good availability, in general, of mortgage finance. The availability of mortgage products and affordability does, however, remain relatively constrained for those customers requiring higher loan-to-value mortgages, although we have seen continuing demand from first-time buyers, which accounted for around 36% of private reservations (2023 – 34%). We have continued to see relatively healthy levels of underlying demand from second-time buyers, which accounted for around 60% of private reservations (2023 – 64%). Sales to investors have remained low and represented around 4% of private reservations (2023 – 2%), with the increase partly reflecting the modest rise in bulk investor sales during the year.

Overall, headline pricing across our regions has remained firm, and our sales teams continue to use a range of targeted incentives to encourage further customer interest and secure reservations. The use of selling incentives has generally remained stable during the year, although there has been more limited use in regions where affordability remains good in the context of the local market and in areas with healthy employment levels.

High-quality land bank to support outlet opening programme and volume growth ambitions

Bellway has a high-quality land bank with strength and depth to support our growth plans, and our experienced land teams have continued with a disciplined and targeted approach to land acquisition during the year. Our approach to investment and rigorous approval process remains focused on securing land interests which offer compelling financial returns and where possible, have flexibility in the contract terms.

There is well-established Group-wide oversight for land approval at Bellway which ensures we focus our investment resource in the areas where investment returns are supported by strong demand. As part of this process, all sites are reviewed by our divisional teams, a Regional Chair, and again by the Group's Head Office land acquisition team, prior to entering into contract, in order to assess and optimise the margin. This process also includes a review of layouts, product offering and biodiversity solutions, to ensure we are offering a sustainable and attractive product to our customers.

Given the cyclical nature of the housebuilding industry, maintaining Bellway's financial strength forms the foundation of our capital allocation policy, and enables the Group to swiftly respond to attractive land opportunities when they arise. Our land bank was enhanced by a period of front-footed investment prior to financial year 2023 and will help the Group to achieve its strategic priority of long-term volume growth.

The table below analyses the Group's land holdings:

	2024 Plots	2023 Plots
DPP: plots with implementable detailed planning permission	**30,787**	32,229
Pipeline: plots pending an implementable DPP	**18,100**	21,400
Bellway owned and controlled plots	**48,887**	53,629
Bellway share of land owned and controlled by joint ventures	**905**	935
Total owned and controlled plots	**49,792**	54,564
Strategic land holdings	**45,500**	43,600
Total land bank[4]	**95,292**	98,164

Reflecting ongoing planning delays, volume output and the reduced level of land buying during the year, Bellway's owned and controlled land bank has decreased, yet remains healthy at 48,887 plots (2023 – 53,629 plots). This represents a land bank length of 6.4 years (2023 – 4.9 years) when based on the last 12 months' legal completions.

Within our land bank we have 30,787 plots (2023 – 32,229 plots) with an implementable detailed planning permission ('DPP') and our pipeline land bank comprises 18,100 plots (2023 – 21,400 plots). The reduction in the number of pipeline plots reflects our lower land buying activity and several pipeline sites receiving an implementable DPP in the year.

As noted earlier, the Group operated from an average of 245 outlets in the year (2023 – 238) with 250 active outlets at 31 July 2024 (2023 – 240). We have good visibility on the expected timing of near-term planning decisions, and we currently expect to open around 50 new outlets in financial year 2025 (2024 – 80). The Group is well-positioned to maintain the average number of outlets at around 245 during the year to 31 July 2025, with the outcome also dependent on sales rates and therefore the number of outlets closing during the year.

The improving economic outlook in terms of both lower interest rates and house price stability has supported an increase in our activity in the shorter-term land market, notably since the start of calendar year 2024. Overall, during financial year 2024, the Group has contracted to purchase 4,621 owned and controlled plots (2023 – 4,715 plots) across 27 sites (2023 – 35 sites) with a total contract value of £344.8 million (2023 – £378.2 million). We have also continued to rebuild our future pipeline of potential acquisitions, with Heads of Terms agreed on around 8,100 plots at 29 September 2024.

The planning system has remained fraught with delays. The Competition and Markets Authority ('CMA') published the results of its wide-ranging market study into the housebuilding sector in England, Scotland and Wales in February 2024, concluding that the UK's complex and unpredictable planning system was primarily responsible for the persistent under delivery of new homes. The report highlighted that local authority planning departments are typically under resourced, and several do not have up to date local plans, clear targets or strong incentives to deliver the number of homes needed in their areas. This has been exacerbated by the dilution of housing targets by the previous Government in late 2023 and, as a result, planning permissions granted for housing are currently at a 10-year low.

Against this backdrop, we welcome the new Government's clear plan to reform the planning system and its longer-term approach to increase the supply of new housing, which includes the reintroduction of mandatory housing targets. While the Government's reforms will take some time to ease planning delays and unlock land supply, our land teams are focused on progressing an increasing number of planning applications from our high-quality land bank. Overall, we remain well-placed to deliver further increases in outlet numbers by the end of financial year 2026 and beyond to support our volume growth ambitions.

Strategic land investment to further support our long-term growth ambitions

Bellway's investment in strategic land has continued during the year, which has enhanced our overall land supply for a relatively low initial capital outlay. The Group's longer-term land opportunities are primarily sourced through option agreements by the Group's dedicated strategic land function, with commercial terms that will reflect future market values and conditions, while also allowing for prevailing planning policy requirements at the time of acquisition. Strategic land can also generate margin enhancement, in some instances, due to option agreements prescribing that land values will typically be agreed at a discount to open market cost, once planning permission has been obtained.

The Group entered into option agreements for 35 sites (2023 – 19 sites) in the year, building upon our increased activity in the strategic land market in recent years. As at 31 July 2024 the strategic land holdings comprised 45,500 plots (2023 – 43,600 plots) and has grown by 77.7% in the last five years (31 July 2019 – 25,600 plots).

The Group's experienced strategic land team is focused on promoting and delivering sustainable sites through the planning system, and is adept at navigating emerging planning policies and other legislative changes. Given our increased focus on strategic land and the proposed positive planning changes under the new Government, we expect to deliver a growing proportion of volume output from our strategically sourced land bank over the medium term.

Overall, the Group's ongoing investment in strategic land continues to provide balance sheet efficiency and financial flexibility through the use of option and promotion agreements, while also supporting our longer-term growth prospects, with plots usually expected to obtain planning permission over a period of five years or more.

Production and cost control

Build cost inflation has continued to moderate with the easing of cost increases driven by the combined effect of lower levels of construction activity and the fall in energy costs since their peak in late 2022.

The industry-wide decline in construction activity has reduced the demand for building materials, and there is currently limited overall material cost inflation on new tenders. There are presently good levels of product availability across the Group and our experienced procurement teams continue to work closely with our wide range of supply chain partners on demand planning, to ensure we are prepared for our targeted increase in volume output from the current financial year.

Bellway has well-established relationships with its subcontract partners and together with our strong commercial disciplines, the Group's subcontract labour costs continue to be closely managed. As construction output has declined across the country, requests for subcontract price increases remain low for most trades. The Group's outlet opening programme has provided good visibility on pipeline work for subcontractors and remains beneficial when negotiating new labour contracts and pricing, with minimum fixed price periods of 12 months secured for most trades.

Our subcontractors are also becoming increasingly familiar with our Artisan Collection house-types, which continue to drive a range of other benefits across the Group, including improved site layouts. The proportion of Artisan homes within Group housing completions rose to 57% of total output in financial year 2024 (2023 – 45%), and we expect further growth in the current year.

To improve productivity and response times on site, we have also introduced a new site-based quality management and compliance system across the Group. The system, Field View, is a mobile application which significantly reduces the need for office-based administrative work, thereby allowing construction teams to spend more of their time to drive on-site quality improvements. Digitalised forms and quality inspections, including those for key construction stages, health and safety, and fire stopping, can be completed on mobile tablets, while inspecting plots. Field View is also being used to monitor all key build stages to drive further efficiencies in the management of construction programmes.

Bellway has robust cost controls and an ongoing focus on margin protection. During the year, and as a part of our programme of continuous improvement, we have completed training sessions for all commercial colleagues at our Bellway Academy to promote and reinforce our strong commercial culture, while maintaining the high-quality of our homes. We have also completed a series of build cost review meetings to enable inter-divisional benchmarking across live developments and Artisan house-types. These meetings are scheduled to continue on a regular basis in order to share best practice and help drive the business towards improved consistency.

Looking ahead, as the industry works towards building to the requirements of the Future Homes Standard, our Artisan Collection standard house-types and centralised approach to design, procurement and site layout reviews will continue to help the Group maintain efficiency and mitigate cost pressures.

'Bellway Home Space' – expanding the use of timber frame construction across the Group

As part of our long-term growth strategy, we are increasing the use of sustainably sourced timber frame construction across the Group. Timber frame construction offers a proven range of operational, financial and environmental benefits, and we have been expanding its use, on a trial basis, in several Bellway divisions in recent years, in addition to its long-established use in our two Scottish divisions.

As a modern method of construction ('MMC'), the use of timber frame in housebuilding is of growing importance in the UK, and the Government is supporting the increased use of MMC as part of its plans to increase the supply of high-quality, sustainable new housing.

We expect to generate a range of benefits from the use of timber frame in the years ahead and this has been corroborated from our onsite trials. These include faster build speed, reduced waste and improved construction quality, as off-site manufacturing can drive higher levels of quality control and consistency compared to traditional construction methods. In turn, these build efficiencies should support improvements in the Group's asset turn, together with strengthening customer care scores. Compared to other mainstream building materials, timber requires minimal processing and has very low relative levels of embodied carbon.

To support our volume growth ambitions and carbon reduction goals, Bellway is targeting an increase in timber frame use to around 30% of housing output by 2030 (2024 – 12%). The planned growth in timber frame output will be achieved primarily by investing in our own proprietary timber frame manufacturing facility, 'Bellway Home Space'. In addition, we will continue to work with the UK's leading timber frame manufacturers for the supply and installation of timber frame homes to Bellway sites across the Group.

The Group has recently taken possession of a 134,000 square foot industrial unit for 'Bellway Home Space' under a long-term lease agreement. The facility, chosen for its transport links, is located within a strong logistics network near Mansfield, Nottinghamshire, and the Group has appointed an experienced Managing Director to run its timber frame operations. In order to drive efficiencies and quality, the facility will operate using computer driven robotic machinery which will be supplied by a leading, well-established manufacturer.

'Bellway Home Space' will have the capability to manufacture open-panel systems, together with pre-insulated closed-panel systems, where both insulation and the inner sheath are assembled within the factory environment, further improving thermal efficiency and reducing on-site waste. We currently expect to produce our first homes from the facility in mid-2026, with a gradual increase to full capacity of up to 3,000 homes per annum by 2030. All management, manufacturing and materials control will be undertaken by Bellway, ensuring the Group benefits from its overall investment in the factory and machinery, while also providing the opportunity to innovate product and control costs.

The full benefits of timber frame construction will require some operational changes to the business, including the redesign of our Artisan house-types to accommodate the requirements of timber frame and the Future Homes Standard. We expect this process to complete by the end of calendar year 2025.

Overall, we are confident that our investment in timber frame in the years ahead will underpin the delivery of our strategic priorities, to drive long-term volume growth and an improvement in RoCE, and help meet the targets set out in our 'Better with Bellway' sustainability strategy.

Recent trading and improving outlook

The combination of the improvement in trading and growth in outlet numbers led to a strong increase in the forward order book in financial year 2024. This comprised 5,144 homes (2023 – 4,411 homes) and increased in value by 18.4% to £1,412.9 million[2] (2023 – £1,193.5 million) at 31 July 2024.

Since the start of the new financial year, customer demand has remained robust and has been supported by an overall reduction in mortgage rates over the summer.

In the nine weeks since 1 August and against a weak comparative, the private reservation rate increased by 48.5% to 147 per week (1 August to 1 October 2023 – 99), representing a private reservation rate per outlet per week of 0.59 (1 August to 1 October 2023 – 0.41). The private reservation rate includes bulk investor sales, on attractive financial terms, totalling 232 homes (1 August to 1 October 2023 – 71 homes). The bulk sales represented a contribution of 0.10 to the private reservation rate (1 August to 1 October 2023 – 0.03).

Reflecting recent trading and volume output, the forward order book at 29 September 2024 remained at a healthy level, comprised 5,109 homes (1 October 2023 – 4,636 homes) and had a value of £1,427.9 million[2] (1 October 2023 – £1,232.3 million).

Outlook

The strength of the Group's forward order book, outlet opening programme and work-in-progress position provides Bellway with an excellent platform to deliver a material increase in volume output in financial year 2025.

If market conditions remain stable, the Group is targeting to deliver completions of at least 8,500 homes in the current financial year (2024 – 7,654 homes). As was the case in financial year 2024, volume output is expected to be weighted to the first half (half year ended 31 January 2024 – 53.5%), with this completion profile supporting cash generation and ongoing land investment. We are also aiming to retain a healthy forward order book at the end of the current financial year (2024 – 5,144 homes) to serve as a platform for further growth in volume output in financial year 2026.

Over the long term, Bellway's divisional structure has significant capacity to deliver sustainable volume growth. Given the depth and quality of our land bank and the Government's plans to support the increase of new housing supply, we also have scope to scale up the Group's divisional structure to fully capitalise on future growth opportunities. Combined with our operational strength and robust balance sheet, the Group is very well-placed to deliver strong multi-year growth and to continue creating value for all our stakeholders.

Jason Honeyman
Group Chief Executive
14 October 2024

Group Finance Director's Review

Trading performance

The Group has delivered housing revenue of £2,356.7 million (2023 – £3,396.3 million), a reduction of 30.6%, which was in line with our expectations and driven by the decrease in volume output. Other revenue was £23.5 million (2023 – £10.3 million) and comprises ancillary items such as land and commercial sales, and management fee income earned on our joint venture schemes. Total revenue was 30.1% lower at £2,380.2 million (2023 – £3,406.6 million).

The table below shows the number and average selling price ('ASP') of homes completed in the year, analysed between private and social homes, and against the prior year comparative:

	2024		2023		Variance (%)	
	Homes	ASP (£000)	Homes	ASP (£000)	Homes	ASP
Private	**5,758**	**347.7**	8,166	359.0	(29.5%)	(3.1%)
Social	**1,896**	**186.9**	2,779	167.3	(31.8%)	11.7%
Total	**7,654**	**307.9**	10,945	310.3	(30.1%)	(0.8%)

Total housing completions reduced by 30.1% to 7,654 homes (2023 – 10,945 homes), with the decline reflecting the lower order book at 31 July 2023 and the generally softer trading conditions in the first half of the financial year. Overall private output reduced by 29.5% to 5,758 homes (2023 – 8,166 homes), with a 31.8% decline in social housing output to 1,896 homes (2023 – 2,779 homes). This resulted in the proportion of social completions decreasing slightly to 24.8% of the total (2023 – 25.4%). We have good visibility on our near-term build programmes, and we expect a similar number of social housing completions in the current financial year.

The overall average selling price was £307,909 (2023 – £310,306), and this modest change was driven by the increase in the level of sales incentives, together with geographic and mix changes. Overall, headline pricing has remained firm across our regions, and we currently expect the average selling price in financial year 2025 to be around £310,000.

Underlying operating performance

The Group's commercial disciplines and proactive management of site-based overheads helped to alleviate some of the margin pressures faced during the year. Notwithstanding this, there has been a decrease in site profitability, in line with expectations, arising from cost inflation and the use of sales incentives, together with higher site-based overheads due to the generally slower sales market since the summer of 2022. This led to a 420 basis point reduction in the underlying gross margin to 16.0%[2,3] (2023 – 20.2%) and as a result, underlying gross profit decreased by 44.6% to £381.1 million[2,3] (2023 – £687.3 million).

Other operating income and expenses, which net to a modest expense of £1.2 million (2023 – £1.2 million), relate to the running of our part-exchange programme. Part-exchange activity remained low and was used for only 2.8% of completions (2023 – 1.7%), with a balance sheet investment as at 31 July 2024 of only £14.5 million (2023 – £18.0 million). The Group has strong controls around the use of part-exchange as a selling tool, and we have the financial capacity to increase its use, in a disciplined manner, if market conditions require it.

The underlying administrative expense decreased slightly to £141.8 million[2,3] (2023 – £142.2 million), with strong cost control and the lower headcount resulting from our workforce planning exercise in calendar year 2023 helping to offset underlying cost inflation. As a proportion of revenue, underlying administrative expenses rose to 6.0%[2,3] (2023 – 4.2%), with this due to the reduction in volume output in the year.

In financial year 2025, while we are maintaining a clear focus on costs, we expect administrative expenses to rise by up to 10%. This follows two years of broadly flat overheads and reflects the requirement to continue offering competitive reward packages to attract and retain talent in order to support our growth plans. It also includes the initial, pre-operational costs of our new proprietary timber frame manufacturing operations.

The underlying operating margin was 10.0%[2,3] (2023 – 16.0%), with the decrease driven by the lower underlying gross margin and the operational gearing effect of the decline in volume output. Overall, underlying cost pressures are beginning to ease, although residual cost inflation incurred in earlier periods will be realised through the income statement for legal completions in the months ahead. In financial year 2025, we expect the underlying operating margin to approach 11.0%[2,3].

We will continue with our disciplined approach to land investment and cost management through the cycle and, together with the support of stable conditions in the housing market, the Board is confident that an underlying operating margin in the mid-to high-teens[2,3] is sustainable over the longer term.

Adjusting item: Net legacy building safety expense

Bellway continues to act responsibly with regards to building and resident safety, and this is reflected by the significant resource and funding the Group has committed to remediate its legacy apartments.

In March 2023 the Group signed the Self-Remediation Terms (‘SRT’) with the Government, and we have also signed up to the Welsh Government Building Safety Developer Remediation Pact (the ‘Pact’) and the Scottish Safer Buildings Accord, reinforcing our responsible UK-wide approach to legacy building safety.

In total, for the year ended 31 July 2024, a net £37.0 million (2023 – £49.6 million) has been recognised in relation to legacy building safety. The following table shows the primary components of the net adjusting expense relating to legacy building safety, split by half year:

	H1 24 £m	**H2 24 £m**	**FY24 £m**	FY23 £m
SRT and associated review – cost of sales expense/(credit)	8.0	(1.9)	**6.1**	58.1
SRT and associated review – cost of sales recoveries	-	(0.3)	**(0.3)**	(50.0)
Structural defects – cost of sales expense/(credit)	(0.6)	14.7	**14.1**	30.5
Net cost of sales expense	7.4	12.5	**19.9**	38.6
SRT and associated review – finance expense	8.8	7.1	**15.9**	11.0
Structural defects – finance expense	0.6	0.6	**1.2**	-
Total net legacy building safety expense	16.8	20.2	**37.0**	49.6

The total adjusting expense includes a net adjusting expense of £19.9 million through cost of sales, of which a net £5.8 million relates to the refinement of overall cost estimates in relation to the SRT and associated review provision, and a modest level of recoveries. It also comprises an additional £14.1 million for the structural defects provision in relation to an isolated design issue identified with the reinforced concrete frame of an apartment scheme in Greenwich, London in financial year 2023.

The additional provision in relation to the Greenwich apartment scheme reflects increases in the estimated costs due to changes in the approach to remediation, following the completion of more intensive modelling work. Bellway is actively pursuing recoveries from the entities involved in the development of the Greenwich apartment scheme, primarily through their insurers, however, given the complexity of this process, these have not yet been recognised as an asset. The Group has undertaken a review of other buildings constructed by, or on behalf of Bellway, where the same third parties responsible for the design of the frame in the Greenwich development have been involved, and no other similar design issues with reinforced concrete frames have been identified.

The Group’s legacy building safety provision has been calculated based on our extensive experience to date, using analysis of previously tendered works and prudent, professional estimates based on our knowledge of known issues. For buildings where full investigations have not yet been undertaken or cost reports obtained, an allowance has been made for as yet undiscovered problems, based on experience to date from similar developments. Costs have been provided regardless of whether Bellway still retains ownership of the freehold interest in the building or whether warranty providers have a responsibility to carry out remedial works.

As part of the industry’s commitments under the SRT, developers are required to submit quarterly data returns to the Ministry of Housing, Communities and Local Government (‘MHCLG’). These detail the progress on building assessments and remediation works, although in some instances, the reporting obligations can be subject to interpretation. Notwithstanding this, Bellway has adopted a consistent and prudent approach, only reporting assessments to have been undertaken when they are supported by a report from an independent qualified fire engineer.

The total amount Bellway has set aside for legacy buildings in England, Scotland and Wales since 2017 is £655.5 million. Demonstrating our ongoing commitment to deliver appropriate solutions for legacy buildings, the Group has spent £146.3 million since the start of the remediation programme, including £36.3 million during financial year 2024 (2023 – £32.9 million). The remaining provision at 31 July 2024 was £509.2 million.

The Group’s established and dedicated Building Safety division is making every effort to accelerate progress with assessment and remediation. As at 30 September 2024, and including those buildings that have been awarded an application by the Building Safety Fund or ACM Funds, Bellway had a total of 137 buildings where work is complete or underway.

Our experienced site remediation teams are focused on completing works as promptly and efficiently as possible and, despite ongoing industry-wide delays in relation to obtaining building access licences, we expect to make further strong progress with assessment and remediation in the current financial year and beyond. Overall, Bellway has the operational and financial resources to meet its commitments for legacy building safety.

The adjusting finance expense in financial year 2024 of £17.1 million (2023 – £11.0 million) related to the unwinding of the discount on both the SRT and associated review provision and the structural defects provision. This is a technical interest unwind, based on prevailing gilt rates at 31 July 2023 and 31 January 2024.

We currently anticipate a total adjusting legacy building safety finance expense, in relation to both the SRT and associated review provision and structural defects provision, of around £8 million in the first half of financial year 2025. The expense in the second half of the year will, in part, be dependent upon the movement in gilt rates.

Adjusting item: Aborted transaction costs

During the year, the Group recognised costs of £5.4 million in relation to the aborted Crest Nicholson Holdings plc transaction as an adjusting item through administrative expenses.

Operating profit

After taking the cost of sales and administrative expenses adjusting items into consideration, total operating profit decreased by 57.9% to £212.8 million (2023 – £505.3 million).

Underlying net finance expense

The underlying net interest expense was £9.7 million[2,3] (2023 – £9.9 million). This includes notional interest on land acquired on deferred terms of £11.1 million (2023 – £13.1 million), with the decrease reflecting the reduction in land creditors.

The expense also comprises interest on the Group's fully drawn fixed rate US Private Placement ('USPP') loan notes of £3.4 million (2023 – £3.4 million) and net bank interest income of £nil (2023 – £4.4 million). Net bank interest income includes net interest receivable on cash balances, less loan interest, commitment fees and refinancing costs, and the reduction largely reflects the lower cash balances and higher borrowing in the period. Other net interest receivable was £4.8 million (2023 – £2.2 million) and primarily comprised £4.5 million (2023 – £2.2 million) in relation to interest received on loans to joint ventures.

Based on prevailing interest rates, the net underlying interest expense in financial year 2025 is currently expected to be around £16 million[2,3], with the anticipated increase to be primarily driven by higher interest rates on the Group's land creditor balance.

Profit before taxation

Including our share of loss from joint ventures of £2.3 million (2023 – £1.4 million), which reflects upfront financing costs on a long-term scheme, underlying profit before taxation reduced by 57.5% to £226.1 million[2,3] (2023 – £532.6 million). Reported profit before taxation decreased by 62.0% to £183.7 million (2023 – £483.0 million).

Taxation

The income tax expense was £53.2 million (2023 – £118.0 million), reflecting an effective tax rate of 29.0% (2023 – 24.4%). The increase in the tax rate in the period was driven by the full year effect of the six percentage points rise in the standard rate of UK corporation tax in April 2023.

The effective tax rate also includes the Residential Property Developer Tax ('RPDT'), which was introduced in April 2022 and charged at a rate of 4% of relevant taxable profits.

Profit for the year

The underlying profit for the year was lower by 60.1%, at £160.6 million[2,3] (2023 – £402.2 million) and underlying earnings per share was 135.2p[2,3] (2023 – 328.1p).

After considering the adjusting items, reported profit for the year reduced by 64.2% to £130.5 million (2023 – £365.0 million). Basic earnings per share was 109.8p (2023 – 297.7p).

Strong balance sheet and financial position

Bellway's well-capitalised balance sheet principally comprises amounts invested in land and work-in-progress. Within total inventories of £4,714.8 million (2023 – £4,575.6 million), the carrying value of land was £2,431.4 million (2023 – £2,578.8 million) and work-in-progress increased by 14.1% to £2,123.9 million (2023 – £1,861.6 million). The higher work-in-progress balance has arisen, as expected, because of the slower sales market, but it also reflects our investment in site infrastructure and early-stage foundation work, for our ongoing strong programme of outlet openings.

Notwithstanding the lower profit in the year, we have maintained financial resilience, and net debt at 31 July 2024 was low and in line with expectations at £10.5 million[2] (2023 – net cash of £232.0 million). Average net debt was £45.8 million[2] (2023 – average net cash of £192.0 million). Expenditure on land, including payment of land creditors, was £465 million (2023 – £467 million), primarily comprising cash payments on contracts approved in previous financial years. Committed land obligations have reduced significantly to £225.3 million (2023 – £368.8 million) and adjusted gearing, inclusive of land creditors, remains low at 6.8%[2] (2023 – 4.0%).

In relation to its legacy, defined benefit pension scheme, the Group had a retirement benefit asset of £0.9 million (2023 – £2.5 million) at 31 July 2024, reflecting an ongoing commitment to fund this future, long-term obligation.

To support our growth plans and ongoing investment in land, the Group has access to significant levels of committed, medium and long-term debt finance, totalling £530 million. This comprises bank facilities of £400 million and £130 million of fully drawn sterling USPP loan notes, which have maturity dates that extend in tranches to February 2031. We remain focused on preserving Bellway's balance sheet resilience and we expect to end the current financial year maintaining a low level of adjusted gearing[2].

Long-term value creation

The Group's net asset value at 31 July 2024 was broadly in line with the prior year at £3,465.4 million (2023 – £3,461.6 million), as lower profitability was offset by cash dividend payments of £131.7 million (2023 – £171.7 million). The positive effect of the final tranche of the £100 million share buyback, which completed in October 2023, led to a modest increase in NAV per share to 2,913p[2] (2023 – 2,871p).

Underlying post-tax return on equity was 4.7%[2,3] (2023 – 11.7%) and underlying RoCE was 6.9%[2,3] (2023 – 15.8%), or 6.4%[2,3] (2023 – 14.3%) when including land creditors as part of the capital base. The reduction in these return metrics was driven by the lower asset turn and underlying operating margin. In the current financial year, we expect to deliver a strong increase in volume output and, as a result, improvements in both asset turn and margin will start a recovery in returns.

Over the last decade, and notwithstanding periods of significant challenge for our industry, Bellway has delivered a strong annualised accounting return in NAV and dividends paid of 13.6%[2]. Given the Group's financial strength and high-quality land bank, the Board is confident that Bellway is in an excellent position to capitalise on future growth opportunities and to continue creating value for our shareholders over the long term.

Keith Adey
Group Finance Director
14 October 2024

‘Better with Bellway’

Our responsible and sustainable approach to business

‘Better with Bellway’ is the Group’s strategy and long-term commitment with regards to acting responsibly and sustainably, which encompasses issues around people and the environment. Through a range of initiatives, we have embedded the strategy across the Group’s operations, and we are delighted that the efforts of our colleagues have been recognised through several industry awards, including ‘Large Housebuilder of the Year’ at the 2023 Housebuilder Awards.

‘Better with Bellway’ covers eight priority areas each with their own specific targets and KPIs linked to the underlying operations of the Group. The strategy includes ambitious targets in respect of our three flagship priority areas of Carbon Reduction, Customers and Communities, and becoming an Employer of Choice. Some recent highlights in these areas are shown below:

Carbon Reduction

To achieve a lower carbon footprint at Bellway, we have committed to a significant reduction in scope 1 to 3 greenhouse gas emissions by 2030. We have continued to make strong headway in laying the foundations to meet our stretching targets, which have been validated by the Science Based Targets initiative (‘SBTi’).

Scope 3 emissions – targeting a 55% reduction by 2030

Around 99% of the Group’s carbon footprint arises from scope 3 emissions, which are from sources which Bellway does not own or control, including the products used for the construction of our homes. By 2030 we are targeting a reduction in scope 3 carbon intensity by 55% from our 2019 baseline of 1.53 tonnes per m^2 of floor area.

In financial year 2024, the Group’s scope 3 carbon emissions decreased by 7.9% to 1.40 tonnes per m^2 of floor area (2023 – 1.52 tonnes per m^2). The reduction was primarily driven by the inclusion of revised Energy and Emission Projections, mandated by the Department for Energy Security and Net Zero, which assume carbon emissions from the use of new homes will reduce, over time, as UK energy production is decarbonised. We expect to drive a further meaningful reduction in scope 3 carbon emissions in the years ahead as the industry transitions towards building to the requirements of the Future Homes Standard. This will reduce reliance on carbon intensive fossil fuels as a source of heat and will ensure that new homes are built to a very high standard of energy efficiency.

As part of our detailed plan to cut emissions, we have several research projects underway across the business, where we are trialling new technologies and working with our customers, to drive best practice for carbon reduction.

Our flagship research project is at the University of Salford where a Bellway ‘Future Homes’ has been constructed in the ‘Energy House 2.0’ environmental chamber, which can recreate a range of temperatures and weather conditions. In this controlled environment, testing is underway for a variety of innovative technologies and the project has already produced valuable data on the performance of the fabric of the ‘Future Homes’. The results from the fabric performance testing showed that the thermal efficiency of the ‘Future Homes’ was at the top end of expectations, providing further confidence that Bellway can deliver energy efficient homes at scale using modern methods of construction.

In recognition of the important work being carried out at ‘Energy House 2.0’, we are delighted that the research project has won several accolades, including ‘Best Sustainability Initiative’ at the 2023 Housebuilder Awards and ‘Major Project of the Year’ at the 2023 National Sustainability Awards.

During the year we have continued to actively engage with several of our supply chain partners on joint sustainability solutions, and we are on track to complete meetings with our top 50 suppliers by the end of calendar year 2024. In advance of the Future Homes Standard, we are also trialling air source heat pumps at sites in each of Bellway’s 20 trading divisions, as homes built to the Future Homes Standard building regulations will not be reliant on fossil fuels for their water and space heating.

In addition, as we work towards reducing the level of embodied carbon in the supply chain, we are adopting new construction practices and the use of alternative materials. In this regard, we have increased the use of timber frame construction across the Group, as compared to other mainstream building materials, timber requires minimal processing, has very low relative levels of embodied carbon, and sequesters emissions throughout the tree growing and replanting phase. Following successful trials across the Group, and its long-established use in our two Scottish divisions, Bellway is targeting a material increase in timber frame use to around 30% of housing output by 2030.

Scope 1 and 2 emissions – targeting a 46% reduction by 2030

The Group’s scope 1 and scope 2 emissions are those generated by Bellway in our own operations, and combined, these account for around 1% of our total carbon footprint. These include direct emissions from diesel used in onsite machinery and gas used in office and construction site heating systems. They also include indirect emissions generated remotely, from activities undertaken by Bellway, such as our use of electricity in offices, sales centres and show homes.

To align to the ‘1.5 degrees Celsius’ pathway in the Paris Agreement, Bellway is targeting a 46% reduction in these emissions by 2030, and we have a range of initiatives underway to achieve this.

The Group has increased the proportion Renewable Energy Guarantees of Origin (‘REGO’) certified electricity procured across the business, with 90% of the Bellway’s electricity on REGO tariffs as at 31 July 2024. We have also completed a large-scale switch to use hydrotreated vegetable oil (‘HVO’) biodiesel across all divisions. The use of HVO can reduce carbon emissions by over 90% compared to fossil diesel and this has played a significant role in our scope 1 and 2 reductions.

As a result of our initiatives, the Group’s scope 1 and scope 2 carbon emissions have reduced by 14.1% compared to the prior year and by 44.7% since our base year of 2019, and we are in an excellent position to meet our goal of a 46% reduction significantly ahead of the 2030 target.

While scope 1 and 2 direct emissions account for a relatively small proportion of our total carbon footprint, the initiatives to reduce emissions within Bellway have helped to foster a positive cultural change, increase colleague engagement and create a strong platform to deliver sustainability solutions with our supply chain partners.

To achieve our ambitious targets and in addition to the measures highlighted, we are considering several further initiatives to reduce scope 1 to 3 carbon emissions in the years ahead.

Customers and Communities

Bellway aims to provide a consistently high service and quality homes to all our customers, and the efforts under our Customer First programme have resulted in the Group retaining its position as a five-star[5] homebuilder for the eighth consecutive year. This was awarded with an improved score of 91.6% (2023 – 91.1%) in the HBF’s most recent Customer Satisfaction survey, which asks customers whether they would recommend Bellway to a friend, when surveyed eight weeks after their moving date.

As part of our Customer First programme, we have successfully rolled out Bellway’s ‘House to Home’, with customer demonstration plots on over 100 sites at 31 July 2024. On each of these developments, a ‘House to Home’ standardised demonstration plot is divided into areas showing different construction stages to help develop customers’ knowledge of the materials used in the build process, our sustainability principles, our commitment to energy efficiency and the benefits of buying a Bellway home. This initiative has received strong positive feedback, and we believe it will continue to enhance the overall customer experience and underpin confidence in the quality of our new homes.

Bellway’s overall drive to deliver high-quality homes has been reflected by 45 of our site managers winning NHBC Pride in the Job Awards during the year (2023 – 34). This is the NHBC’s flagship competition for build quality across the UK and, from a field of over 8,000 sites entering, only around 5% receive these awards.

We are also proud to report further improvement in our NHBC Construction Quality Review score, a measure of underlying construction quality. Our score has risen to 89.9% at 31 July 2024 (2023 – 87.9%) and ahead of the target of 87.0% we set for the year.

While the Group maintained its five-star[5] homebuilder status for the eight-week HBF survey, we have seen a slight moderation in our score in the nine-month survey to 80.1% (2023 – 80.6%). This was in part driven by the challenging operating environment throughout the year, which led to extended response times to minor snagging issues in our new homes. We recognise that there are areas where we can do better and, in this regard, we are launching a new customer care portal to drive an improvement in service levels and communications with our customers.

We are working hard to continually improve levels of customer service and there are a range of other initiatives underway within the business to achieve this, including additional training across our sales, customer care and construction teams.

Employer of Choice

Bellway is aiming to be an ‘Employer of Choice’ in the industry by creating a safe, diverse and inclusive environment that our colleagues can thrive in, and we are very proud that this priority area of our ‘Better with Bellway’ strategy won the ‘Best Staff Development Award’ at the 2023 Housebuilder Awards.

There has also been an excellent response to our most recent employee engagement survey and despite the ongoing challenges in the market during the year, 87% of colleagues (2023 – 89%) said they would recommend Bellway as ‘a great place to work’.

Bellway has an ongoing programme of structured apprenticeships and graduate training, and we continue to operate as a fully accredited Living Wage Employer, which covers both directly employed and subcontracted staff. Overall, these measures will help to achieve our aim of increasing the proportion of employees in 'earn and learn' positions and support the ongoing success of the business.

A standard, consistent induction and onboarding process has also been introduced for all new starters at Bellway and we have seen a further reduction in voluntary staff turnover during the year to 18.3% (2023 – 21.9%). The Group is aiming to improve on our high level of employee satisfaction, and we continue to seek feedback from our colleagues to attract talent and further improve staff retention.

The Group has several initiatives in place to promote diversity and inclusion and, together with a range of opportunities for career progression through our Bellway Academy, will help to ensure Bellway continues to be a rewarding place to work in the years ahead.

Further initiatives

The Group has made good progress against the targets and KPIs set for the other priority areas of the 'Better with Bellway' strategy.

At Bellway, the health, safety, and wellbeing of our colleagues and subcontractors is our highest priority and we have set ambitious targets to raise the quality and safety of our work to even higher levels. Bellway's standards and practices are subject to continual review to challenge unsafe behaviours and drive improvements, and during the year we rolled out improved safety inductions and training across the Group. This included strengthening internal communications on near-miss reporting to enhance the identification of key risk areas on Bellway sites.

Across the Group, we have a responsibility to manage our resources effectively and efficiently. We aim to minimise waste, measured in tonnes per home built and, where waste is unavoidable, reuse and recycle as much as possible. During the year we have made excellent progress in this area, achieving a 17% reduction in waste to 7.1 tonnes per home built (2023 – 8.6 tonnes). In doing so, we have reached our 2025 target one year ahead of our original plan.

Biodiversity is also a key focus within Bellway and, to meet new regulations, we have identified and incorporated an approach on how to achieve a 10% biodiversity net gain on all new sites to be submitted for planning. Bellway's Head of Biodiversity is leading on this area and working with our land teams to help the Group meet these important environmental targets.

Charitable engagement is a core part of Bellway's culture and during the year we have launched partnerships with several charities to support disabled and disadvantaged people, which include opportunities for work placements within Bellway. We are also delighted that our colleagues have raised over £610,000 for Cancer Research UK in the year to 31 July 2024. Over the last eight years we have raised over £3.7 million for this important charity. We have since extended our partnership with Cancer Research UK and we are targeting an increase in the cumulative amount raised to £5.0 million by December 2025.

We look forward to reporting further progress on our sustainability strategy with our interim results in March 2025.

Jason Honeyman
Group Chief Executive
14 October 2024

Group Income Statement
for the year ended 31 July 2024

	Note	**2024**	2023
		£m	£m
Revenue	2	**2,380.2**	3,406.6
Cost of sales		**(2,019.0)**	(2,757.9)
Analysed as:			
Underlying cost of sales		**(1,999.1)**	(2,719.3)
Adjusting item: net legacy building safety expense	3	**(19.9)**	(38.6)
Gross profit		**361.2**	648.7
Other operating income		**50.6**	29.1
Other operating expenses		**(51.8)**	(30.3)
Administrative expenses		**(147.2)**	(142.2)
Analysed as:			
Underlying administrative expenses		**(141.8)**	(142.2)
Adjusting item: aborted transaction costs	3	**(5.4)**	-
Operating profit		**212.8**	505.3
Finance income	9	**9.5**	9.9
Finance expenses	9	**(36.3)**	(30.8)
Analysed as:			
Underlying finance expenses		**(19.2)**	(19.8)
Adjusting item: net legacy building safety expense	3, 9	**(17.1)**	(11.0)
Share of result of joint ventures		**(2.3)**	(1.4)
Profit before taxation		**183.7**	483.0
Income tax expense	5	**(53.2)**	(118.0)
Profit for the year *		**130.5**	365.0
Earnings per ordinary share – Basic	4	**109.8p**	297.7p
Earnings per ordinary share – Diluted	4	**109.0p**	296.3p

* All attributable to equity holders of the parent.

Adjusting items

	Note	2024 £m	2023 £m
Gross profit			
Gross profit per the Group Income Statement		**361.2**	648.7
Adjusting item: net legacy building safety expense	3	**19.9**	38.6
Underlying gross profit		**381.1**	687.3
Operating profit			
Operating profit per the Group Income Statement		**212.8**	505.3
Adjusting item: net legacy building safety expense	3	**19.9**	38.6
Adjusting item: aborted transaction costs	3	**5.4**	-
Underlying operating profit		**238.1**	543.9
Profit before taxation			
Profit before taxation per the Group Income Statement		**183.7**	483.0
Adjusting item: net legacy building safety expense	3	**37.0**	49.6
Adjusting item: aborted transaction costs	3	**5.4**	-
Underlying profit before taxation		**226.1**	532.6
Profit for the year			
Profit for the year per the Group Income Statement		**130.5**	365.0
Adjusting item: net legacy building safety expense	3	**37.0**	49.6
Adjusting item: aborted transaction costs	3	**5.4**	-
Adjusting item: income tax on exceptional items	3	**(12.3)**	(12.4)
Underlying profit for the year		**160.6**	402.2

Group Statement of Comprehensive Income
for the year ended 31 July 2024

	Note	**2024** **£m**	2023 £m
Profit for the year		**130.5**	365.0
Other comprehensive expense			
Items that will not be recycled to the income statement:			
Remeasurement losses on defined benefit pension plans		**(1.6)**	(4.9)
Income tax on other comprehensive expense	5	**0.5**	1.4
Other comprehensive expense for the year, net of income tax		**(1.1)**	(3.5)
Total comprehensive income for the year *		**129.4**	361.5

* All attributable to equity holders of the parent.

Group Statement of Changes in Equity
at 31 July 2024

	Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 August 2022		15.4	182.0	20.0	1.5	3,148.9	3,367.8
Total comprehensive income for the year							
Profit for the year		-	-	-	-	365.0	365.0
Other comprehensive expense *		-	-	-	-	(3.5)	(3.5)
Total comprehensive income for the year		-	-	-	-	361.5	361.5
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	12	-	-	-	-	(171.7)	(171.7)
Credit in relation to share options and tax thereon	5	-	-	-	-	4.5	4.5
Share buyback programme and cancellation of shares	11	(0.4)	-	0.4	-	(100.5)	(100.5)
Total contributions by and distributions to shareholders		(0.4)	-	0.4	-	(267.7)	(267.7)
Balance at 31 July 2023		15.0	182.0	20.4	1.5	3,242.7	3,461.6
Total comprehensive income for the year							
Profit for the year		-	-	-	-	130.5	130.5
Other comprehensive expense *		-	-	-	-	(1.1)	(1.1)
Total comprehensive income for the year		-	-	-	-	129.4	129.4
Transactions with shareholders recorded directly in equity:							
Dividends on equity shares	12	-	-	-	-	(131.7)	(131.7)
Shares issued		-	1.2	-	-	-	1.2
Credit in relation to share options and tax thereon	5	-	-	-	-	5.3	5.3
Share buyback programme and cancellation of shares	11	(0.2)	-	0.2	-	(0.4)	(0.4)
Total contributions by and distributions to shareholders		(0.2)	1.2	0.2	-	(126.8)	(125.6)
Balance at 31 July 2024		**14.8**	**183.2**	**20.6**	**1.5**	**3,245.3**	**3,465.4**

* An additional breakdown is provided in the Group Statement of Comprehensive Income.

Group Balance Sheet
at 31 July 2024

	Note	2024	2023
		£m	£m
ASSETS			
Non-current assets			
Property, plant and equipment		**30.2**	31.7
Financial assets		**47.7**	38.6
Equity accounted joint arrangements		**9.8**	4.9
Deferred tax assets	5	**-**	1.7
Retirement benefit assets		**0.9**	2.5
		88.6	79.4
Current assets			
Inventories	6	**4,714.8**	4,575.6
Trade and other receivables		**76.8**	88.3
Corporation tax receivable		**-**	8.8
Cash and cash equivalents	8	**119.5**	362.0
		4,911.1	5,034.7
Total assets		**4,999.7**	5,114.1
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	8	**130.0**	130.0
Trade and other payables		**93.6**	107.3
Deferred tax liabilities	5	**0.7**	6.2
Provisions	7	**376.5**	403.5
		600.8	647.0
Current liabilities			
Corporation tax payable		**7.9**	-
Trade and other payables		**792.9**	900.8
Provisions	7	**132.7**	104.7
		933.5	1,005.5
Total liabilities		**1,534.3**	1,652.5
Net assets		**3,465.4**	3,461.6
EQUITY			
Issued capital		**14.8**	15.0
Share premium	11	**183.2**	182.0
Capital redemption reserve	11	**20.6**	20.4
Other reserves		**1.5**	1.5
Retained earnings	11	**3,245.3**	3,242.7
Total equity		**3,465.4**	3,461.6

Group Cash Flow Statement
for the year ended 31 July 2024

	Note	**2024**	2023
		£m	£m
Cash flows from operating activities			
Profit for the year		**130.5**	365.0
Depreciation charge		**5.1**	6.0
Finance income	9	**(9.5)**	(9.9)
Finance expenses	9	**36.3**	30.8
Share-based payment expense		**4.5**	4.5
Share of post tax result of joint ventures		**2.3**	1.4
Income tax expense	5	**53.2**	118.0
Increase in inventories	6	**(139.2)**	(152.0)
Decrease in trade and other receivables		**11.5**	28.7
Decrease in trade and other payables		**(98.8)**	(75.3)
(Decrease)/increase in provisions	7	**(16.1)**	55.7
Cash (utilised in)/from operations		**(20.2)**	372.9
Interest paid		**(6.8)**	(6.9)
Income tax paid		**(38.5)**	(129.8)
Net cash (outflow)/inflow from operating activities		**(65.5)**	236.2
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(1.4)**	(2.7)
Proceeds from sale of property, plant and equipment		**-**	0.1
Increase in loans to joint ventures		**(13.9)**	(15.6)
Dividends from joint ventures		**2.0**	3.0
Interest received		**5.3**	6.9
Net cash outflow from investing activities		**(8.0)**	(8.3)
Cash flows from financing activities			
Payment of lease liabilities		**(3.6)**	(3.5)
Proceeds from the issue of share capital on exercise of share options		**1.2**	-
Share buyback programme		**(34.9)**	(66.0)
Dividends paid	12	**(131.7)**	(171.7)
Net cash outflow from financing activities		**(169.0)**	(241.2)
Net decrease in cash and cash equivalents		**(242.5)**	(13.3)
Cash and cash equivalents at beginning of year		**362.0**	375.3
Cash and cash equivalents at end of year	8	**119.5**	362.0

Notes

1. Basis of preparation and accounting policies

a) Basis of consolidation

Bellway p.l.c. (the ‘Company’) is a company incorporated in England and Wales.

The financial information set out above does not constitute the Group’s statutory financial statements for the years ended 31 July 2024 or 2023, but is derived from those financial statements. Statutory financial statements for 2023 have been delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditor, Ernst & Young LLP, has reported on those financial statements; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been prepared in accordance with Adopted IFRSs, this announcement does not itself contain sufficient information to comply with Adopted IFRSs. The Group expects to send its 2024 Annual Report and Accounts to shareholders on 8 November 2024.

b) Other financial statement considerations

In preparing the Group financial statements, management has considered the impact of climate change, and the possible impact of climate-related and other emerging business risks. A rigorous assessment of the impact of climate-related risks has been performed. This included an assessment of inventories and how they could be affected by measures taken to address global warming. No issues were identified that would materially impact the carrying values of the Group’s assets or liabilities, or have any other material impact on the financial statements.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies set out within the notes to the financial statements have been applied consistently to all periods presented in these consolidated financial statements.

c) Going concern

The Group’s activities are financed principally by a combination of ordinary shares and cash in hand less debt. At 31 July 2024, Bellway had net debt of £10.5 million[2] (note 8), having utilised cash of £242.5 million during the year, including £20.2 million of cash utilised in operations.

The Group has operated within all its debt covenants throughout the year, and covenant compliance was considered as part of the going concern assessment. In addition, the Group had bank facilities of £400.0 million at 31 July 2024, expiring in tranches up to December 2028. Furthermore, in February 2021 the Group entered into a contractual arrangement to issue a sterling US Private Placement (‘USPP’) for a total amount of £130.0 million, as part of its ordinary course of business financing arrangements, which has maturity dates in 2028 and 2031. In aggregate, the Group had committed debt lines of £530.0 million at 31 July 2024.

Including committed debt lines and cash, Bellway had access to total funds of £519.5 million, along with net current assets (excluding cash) of £3,858.1 million at 31 July 2024, providing the Group with appropriate liquidity to meet its current liabilities as they fall due.

The Group’s internal forecasts have been regularly updated, incorporating our actual experience along with our expected future outturn. The latest available base forecast has been sensitised, setting out the Group’s resilience to the principal risks and uncertainties in the most severe but plausible scenario. The sensitivity includes a recession due to economic uncertainty and a deterioration in customer confidence. This could lead to a reduction in both the total number of legal completions and private average selling price, with overheads, land spend and construction spend reducing accordingly.

Notes (continued)

1. Basis of preparation and accounting policies (continued)

This sensitivity includes the following principal assumptions:

- Private completions in H1 FY25 are supported by the forward order book. In the 12 months to 31 January 2026, private completions reduce by around 50% compared to the 12 month pre-stress peak achieved in FY22. This is followed by a gradual recovery based on the lower base position.

- Private average selling price in H1 FY25 remains in line with internal forecasts due to the forward order book position. In the 12 months to 31 January 2026, the private average selling price reduces by 10% compared to the latest achieved pricing. This is followed by a gradual recovery based on the lower base position.

- These assumptions reflect the Group's experience in the 2008-09 Global Financial Crisis.

A number of prudent mitigating actions within the Directors' control were incorporated into the plausible but severe downside scenario, including:

- Plots in the land bank only being replaced at the same rate that they are utilised.

- Construction spend reducing in line with housing revenue.

- Dividends reducing in line with earnings.

The sensitivity analysis was modelled over the period to 31 July 2026 for the going concern assessment, but extended to 31 July 2028 for the Directors' long-term viability assessment. In addition to the above, several additional mitigating measures remain available to management that were not included in the scenario. These include withholding discretionary land spend and instead trading out of the substantial existing land holdings.

In the scenario, the Group had significant headroom in both its financial debt covenants and existing debt facilities and met its liabilities as they fall due. In relation to climate risks, and in particular the requirement of the Group to reduce carbon emissions, the going concern assessment is not considered to be materially affected by the Future Homes Standard.

The Directors consider that the Group is well placed to manage business and financial risks in the current economic environment. Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 July 2026, aligning with the first year end after the minimum 12 month assessment period, and have therefore prepared the financial statements on a going concern basis.

d) Accounting policies

Effect of new standards and amendments effective for the first time

The Group adopted and applied the following standards and amendments in the year, none of which had a material effect on the financial statements:

- IFRS 17 'Insurance Contracts';

- Definition of Accounting Estimates – amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12 'Income Taxes'; and

- Disclosure of Accounting Policies – Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2.

Notes (continued)

1. Basis of preparation and accounting policies (continued)

Standards and amendments in issue but not yet effective

At the date of authorisation of these financial statements there were a number of standards and amendments which were in issue but not yet effective. These have not been applied in these financial statements and are not expected to have a material effect when adopted.

e) Accounting estimates and judgements

While preparing these financial statements, the directors are required to make significant estimates and judgements that could have a significant effect on these financial statements when applying the Group's accounting policies.

When preparing these financial statements, the major judgements in applying the Group's accounting policies and the major sources of estimation uncertainty were those applied in the Group's 2023 Annual Report and Accounts.

2. Segmental analysis

The Executive Board (the Chief Operating Decision Maker as defined in IFRS 8 'Operating Segments') regularly reviews the Group's performance and balance sheet position at both a consolidated and divisional level. Each division is an operating segment as defined by IFRS 8 in that the Executive Board assesses performance and allocates resources at this level. All of the divisions have been aggregated in to one reporting segment on the basis that they share similar economic characteristics including:

- National supply agreements are in place for key inputs including materials.
- Debt is raised centrally and the cost of capital is the same at each division.
- Sales demand at each division is subject to the same macroeconomic factors, such as mortgage availability and Government policy.

Additional information on average selling prices and the unit sales split between private and social has been included in the Group Finance Director's Review. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations at a consolidated and divisional level when assessing performance and making decisions about the allocation of resources.

Revenue from contracts with customers

An analysis of the Group's revenue is as follows:

	Housing completions		**Revenue**	
	2024 Number	2023 Number	**2024 £m**	2023 £m
Housing - private	**5,758**	8,166	**2,002.3**	2,931.3
Housing - social	**1,896**	2,779	**354.4**	465.0
Total housing revenue	**7,654**	10,945	**2,356.7**	3,396.3
Non-housing revenue	**-**	-	**23.5**	10.3
Total	**7,654**	10,945	**2,380.2**	3,406.6

Notes (continued)

3. Net legacy building safety expense and exceptional items

Profit before taxation for the years ended 31 July 2024 and 31 July 2023 has been arrived at after recognising the following items in the income statement:

	SRT and associated review £m	Structural defects £m	**2024 Total net legacy building safety expense £m**	Aborted transaction costs £m	**Total adjusting items £m**
Provisions (note 7)	6.1	14.1	**20.2**	-	**20.2**
Reimbursement assets (note 7)	(0.3)	-	**(0.3)**	-	**(0.3)**
Net cost of sales	5.8	14.1	**19.9**	-	**19.9**
Administrative expenses	-	-	**-**	5.4	**5.4**
Finance expenses (notes 7, 9)	15.9	1.2	**17.1**	-	**17.1**
Total net legacy building safety expense and exceptional items	**21.7**	**15.3**	**37.0**	**5.4**	**42.4**

	SRT and associated review £m	Structural defects £m	2023 Total net legacy building safety expense £m	Aborted transaction costs £m	Total adjusting items £m
Provisions	58.1	30.5	88.6	-	88.6
Reimbursement assets	(50.0)	-	(50.0)	-	(50.0)
Net cost of sales	8.1	30.5	38.6	-	38.6
Finance expenses (note 9)	11.0	-	11.0	-	11.0
Total net legacy building safety expense and exceptional items	19.1	30.5	49.6	-	49.6

The income tax rate applied to the exceptional items in the income statement is the Group's standard rate of income tax, including both corporation tax and Residential Property Developer Tax ('RPDT'), of 29.0% (2023 – 25.0%).

SRT and associated review

Bellway continues to act responsibly with regards to building and resident safety, and this is reflected by the significant resource and funding the Group has committed to remediate its legacy apartments.

In March 2023 the Group signed the SRT with DLUHC. Under the terms of the SRT, developers have agreed to identify and remediate, life-critical fire safety defects in residential buildings over 11 metres in height that they have developed or refurbished since April 1992. The Group contractually committed to remediate its legacy buildings in both Wales and Scotland by signing the Pact with The Welsh Ministers (the 'Pact') in May 2023 and the Scottish Safer Buildings Accord in July 2023.

Signing the SRT has led to improved clarity on the standards required for internal and external remediation, including Publicly Available Specification ('PAS') 9980:2022, which is the code of practice for Fire Risk Appraisals of External Wall construction ('FRAEW'). Buildings are deemed to be assessed under the requirements of the SRT when a qualifying assessment has been approved by the DLUHC. This requires the completion of both a FRAEW and a Fire Safety Assessment ('FSA').

In total, for the year ended 31 July 2024 Bellway set aside a net exceptional pre-tax expense of £21.7 million (2023 – £19.1 million), in relation to the SRT and associated review. Of this expense, a net £5.8 million (2023 – £8.1 million) is recognised in cost of sales and an adjusting finance expense of £15.9 million (2023 – £11.0 million) in relation to the unwinding of the discount of the provision to present value. The net expense recognised in cost of sales includes an expense of £32.7 million (2023 – £129.7 million) relating to cost estimate increases, and a further expense of

3. Net legacy building safety expense and exceptional items (continued)

£6.7 million (2023 – £33.0 million reduction) following a decrease (2023 – increase) in discount rates during the period (note 7), which are offset by provision releases of £33.3 million (2023 – £38.6 million). The net exceptional cost of sales expense includes one-off cost recoveries of £0.3 million (2023 – £50.0 million), across several sites, which have been pursued for several years.

The total amount Bellway has set aside in relation to the SRT and associated review since 2017 is £609.7 million (2023 – £582.8 million). Costs have been provided regardless of whether Bellway still retains ownership of the freehold interest in the building or whether warranty providers have a responsibility to carry out remedial works.

The provision has been calculated using cost estimates based on our extensive experience to date, using analysis of previously tendered works and prudent, professional estimates based on knowledge of known issues. In addition, on developments where full investigations have not yet been undertaken or cost reports obtained, costs to date on similar developments have been used to estimate the likely cost. We have also made assumptions with regards to the likely cost of resolving potential issues, that we have not yet been made aware of, on blocks constructed since 1992.

Cost estimates have been reviewed and updated in the year based on the latest scopes following surveys undertaken, tendered works and progress with remediation.

The provision calculation uses the expected timings of cash outflows which are adjusted for future estimated cost inflation in accordance with the Build Cost Information Service ('BCIS') index, a leading provider of cost and price information to the construction industry. The provision is discounted back to a present value using UK gilt rates with maturities which reflect the expected timing of cash outflows. The unwinding of this discount is charged through the income statement as an adjusting finance expense. The majority of the cash outflow is expected to be over the next five years, although there will be some residual expenditure beyond this. The anticipated timing reflects the complex issues around remediation including identifying the works required, design and planning obligations, interpretation of the PAS 9980:2022, liaison and negotiations with building owners, appointment of contractors and time taken to obtain access licences. As at 30 September 2024, and including those buildings that have been awarded an application by the Building Safety Fund or ACM Funds, Bellway had a total of 137 buildings where work is complete or underway.

Total recoveries recognised since 2017 are £80.3 million (2023 – £80.0 million). Reimbursement assets of £0.1 million (2023 – £nil) remained outstanding at the year end.

Structural defects

During the year ended 31 July 2023 a structural defect relating to the reinforced concrete frame was identified at a historical high-rise apartment scheme in Greenwich, London. The current provision for the cost of the remediation work is £45.6 million (2023 – £30.5 million).

During the year, the remediation design and strategy evolved and following significant progress in the year, both are now at advanced stages. As a result, the scope and extent of required works has increased. This cost estimate is based on an expert third-party report and reflects management's expected scope of works.

In total, for the year ended 31 July 2024 Bellway set aside an exceptional pre-tax expense of £15.3 million (2023 – £30.5 million), in relation to the structural defects. Of this, £14.1 million (2023 – £30.5 million) is recognised in cost of sales. The amount recognised in cost of sales includes expenses of £13.8 million (2023 – £30.5 million) relating to cost estimate increases and £0.3 million (2023 – £nil) following a decrease in discount rates during the period (note 7). In addition, there is an adjusting finance expense of £1.2 million (2023 – £nil) relating to the unwinding of the discount of the provision to present value.

The provision calculation uses the expected timings of cash outflows which are adjusted for future estimated cost inflation in accordance with the BCIS index. The provision is discounted back to a present value using UK gilt rates with maturities which reflect the expected timing of cash outflows. The unwinding of this discount is charged through the income statement as an adjusting finance expense.

Notes (continued)

3. Net legacy building safety expense and exceptional items (continued)

The Group has carried out a review of other buildings constructed by, or on behalf of Bellway, where the same third parties responsible for the design of the frame in the Greenwich development have been involved. To date, no other similar design issues with reinforced concrete frames have been identified.

We are actively seeking recoveries in relation to the structural defect identified, but as these are not virtually certain at the balance sheet date, no reimbursement assets have been recognised.

The cash outflow is expected to be over the next three years.

Aborted transaction costs

During the year, the Group announced that it made an all-share offer to acquire Crest Nicholson Holdings plc. On 13 August 2024, the Board decided not to progress with this acquisition and have recognised £5.4 million (2023 – £nil) of costs associated with this aborted transaction as exceptional.

4. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year (excluding the weighted average number of ordinary shares held by the Company or Trust which are treated as cancelled).

Diluted earnings per ordinary share uses the same profit for the year figure as the basic calculation. The weighted average number of shares has been adjusted to reflect the dilutive effect of outstanding share options allocated under employee share schemes where the market value exceeds the option price. Diluted earnings per ordinary share is calculated by dividing profit for the year by the diluted weighted average number of ordinary shares.

Reconciliations of the profit for the year and weighted average number of shares used in the calculations are outlined below:

	Profit for the year 2024 £m	**Weighted average number of ordinary shares 2024 Number**	**Earnings per share 2024 p**	Profit for the year 2023 £m	Weighted average number of ordinary shares 2023 Number	Earnings per share 2023 p
For basic earnings per ordinary share	**130.5**	**118,830,821**	**109.8**	365.0	122,593,350	297.7
Dilutive effect of options and awards		**846,522**	**(0.8)**		600,864	(1.4)
For diluted earnings per ordinary share	**130.5**	**119,677,343**	**109.0**	365.0	123,194,214	296.3

Underlying basic and underlying diluted earnings per share exclude the effect of adjusting items and any associated net tax amounts. Reconciliations of these are outlined below:

	Underlying profit for the year 2024 £m	**Weighted average number of ordinary shares 2024 Number**	**Underlying earnings per share 2024 p**	Underlying profit for the year 2023 £m	Weighted average number of ordinary shares 2023 Number	Underlying earnings per share 2023 p
For basic underlying earnings per ordinary share	**160.6**	**118,830,821**	**135.2**	402.2	122,593,350	328.1
Dilutive effect of options and awards		**846,522**	**(1.0)**		600,864	(1.6)
For diluted underlying earnings per ordinary share	**160.6**	**119,677,343**	**134.2**	402.2	123,194,214	326.5

Notes (continued)

5. Taxation

The effective tax expense is 29.0% of profit before taxation (2023 – 24.4%). Both the standard tax rate and effective tax rate include RPDT.

As part of the UK adoption of the Organisation for Economic Cooperation and Development ('OECD') Pillar Two rules, the UK Government announced two new taxes, the Multinational Top-up Tax and the Domestic Top-up Tax which are designed to ensure corporations pay tax at a rate of at least 15%. The Domestic Top-up Tax applied to the Group from 1 August 2024. As the Group's current effective tax rate is in excess of 15%, it is expected the introduction of this tax will not affect Bellway. The Multinational Top-up Tax is not expected to affect Bellway. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities relating to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The carrying amount of the gross deferred tax assets are reviewed at each balance sheet date and are recognised to the extent that there will be sufficient taxable profits to allow the asset to be recovered.

The deferred tax assets/(liabilities) held by the Group are valued at the substantively enacted corporation tax and RPDT rates totalling 29% that will be effective when they are expected to be realised.

It is currently expected that the Group's standard rate of tax, including RPDT, for the year ending 31 July 2025 will be 29%.

6. Inventories

	2024 £m	2023 £m
Land	**2,431.4**	2,578.8
Work-in-progress	**2,123.9**	1,861.6
Showhomes	**145.0**	117.2
Part-exchange properties	**14.5**	18.0
Total	**4,714.8**	4,575.6

In the ordinary course of business, inventories have been written down by a net £8.2 million in the year (2023 – £18.4 million).

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of factors including consumer demand and planning permission delays.

Notes (continued)

7. Provisions and reimbursement assets

	SRT and associated review			Structural defects			Total legacy building safety improvements		
	Provision	Reimbursement assets	Total	Provision	Reimbursement assets	Total	Provision	Reimbursement assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 August 2023	(477.7)	-	(477.7)	(30.5)	-	(30.5)	(508.2)	-	(508.2)
Adjusting item – cost of sales (note 3)	(6.1)	0.3	(5.8)	(14.1)	-	(14.1)	(20.2)	0.3	(19.9)
Analysed as:									
Additions	(32.7)	0.3	(32.4)	(13.8)	-	(13.8)	(46.5)	0.3	(46.2)
Released	33.3	-	33.3	-	-	-	33.3	-	33.3
Change in discount rate	(6.7)	-	(6.7)	(0.3)	-	(0.3)	(7.0)	-	(7.0)
Utilised/(received)	36.1	(0.2)	35.9	0.2	-	0.2	36.3	(0.2)	36.1
Unwinding of discount (notes 3, 9)	(15.9)	-	(15.9)	(1.2)	-	(1.2)	(17.1)	-	(17.1)
At 31 July 2024	**(463.6)**	**0.1**	**(463.5)**	**(45.6)**	**-**	**(45.6)**	**(509.2)**	**0.1**	**(509.1)**

The provision is classified as follows:

	SRT and associated review	Structural defects	Total legacy building safety improvements
	£m	£m	£m
Current	(132.5)	(0.2)	(132.7)
Non-current	(331.1)	(45.4)	(376.5)
Total	**(463.6)**	**(45.6)**	**(509.2)**

The Group has established a provision for the cost of performing fire remedial works on a number of legacy developments and a structural defect relating to a historical high rise apartment scheme (note 3).

8. Analysis of net cash/(debt)

	At 1 August 2023	Cash flows	**At 31 July 2024**
	£m	£m	**£m**
Cash and cash equivalents	362.0	(242.5)	**119.5**
Fixed rate sterling USPP notes	(130.0)	-	**(130.0)**
Net cash/(debt)	232.0	(242.5)	**(10.5)**

9. Finance income and expenses

	2024 £m	2023 £m
Interest receivable on short-term bank deposits	**3.8**	7.2
Net interest on defined benefit asset	**-**	0.3
Other interest receivable	**5.7**	2.4
Finance income	**9.5**	9.9
Interest payable on bank loans	**3.8**	2.8
Interest payable on fixed rate sterling USPP notes	**3.4**	3.4
Interest on deferred term land payables	**11.1**	13.1
Unwinding of the discount on the legacy building safety improvements (notes 3, 7)	**17.1**	11.0
Interest payable on leases	**0.4**	0.5
Other interest payable	**0.5**	-
Finance expenses	**36.3**	30.8

The unwinding of the discount on the legacy building safety improvements provision is an adjusting item (note 3).

10. Financial instruments - fair value disclosures

The fair value of financial assets and liabilities are determined based on discounted cash flow analysis using prevailing market rates for similar instruments.

The carrying values of financial assets and liabilities reasonably approximate the fair value of the instruments.

11. Reserves

Share premium

This reserve is not distributable.

Own shares held

The Group holds shares within the Bellway Employee Share Trust (1992) (the 'Trust') for on which dividends have been waived, for participants of certain share-based payment schemes. The cost of these is charged to retained earnings.

	2024 Number	2023 Number
At start of year	**327,202**	331,115
Transferred to employees or Directors	**(1,088)**	(3,913)
At end of year	**326,114**	327,202

	2024 £m	2023 £m
Cost of shares held in the Trust	**8.8**	8.8
Market value of shares held in the Trust	**9.3**	7.3

Capital redemption reserve

On 7 April 2014 the Group redeemed 20,000,000 £1 preference shares, being all of the preference shares in issue. An amount of £20.0 million, equivalent to the nominal value of the shares redeemed, was transferred to a capital redemption reserve on the same date.

During the year, the Group purchased 1,631,263 (2023 – 2,928,794) of its own shares which it cancelled. On cancellation of the shares, the aggregate nominal value was transferred from issued capital to the capital redemption reserve.

This reserve is not distributable.

11. Reserves (continued)

	2024	2023
	£m	£m
At start of year	**20.4**	20.0
Amounts transferred in respect of own shares purchased and cancelled during the year	**0.2**	0.4
At end of year	**20.6**	20.4

12. Dividends on equity shares

	2024	2023
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 July 2023 of 95.0p per share (2022 – 95.0p)	**112.7**	117.0
Interim dividend for the year ended 31 July 2024 of 16.0p per share (2023 – 45.0p)	**19.0**	54.7
	131.7	171.7
Proposed final dividend for the year ended 31 July 2024 of 38.0p per share (2023 – 95.0p)	**45.1**	114.5

The 2024 proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 12 December 2024 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these financial statements. The proposed final dividend, subject to shareholder approval, will be paid on 8 January 2025 to all ordinary shareholders on the Register of Members on 29 November 2024. The ex-dividend date is 28 November 2024. At the record date for the final dividend for the year ended 31 July 2023, shares were held by the Bellway Employee Share Trust (1992) (the 'Trust') on which dividends had been waived (see note 11).

The level of distributable reserves are sufficient in comparison to the proposed dividend.

13. Contingent liabilities

SRT and associated review

We continue to take a proactive approach to nationwide concerns with regards to fire safety in high-rise buildings across the UK. Bellway recognises its responsibilities in its legacy apartment portfolio and continues to review combustion risks, in external wall systems, on past high-rise developments.

As detailed in note 3, Bellway has identified a number of developments, which obtained building regulation approval at the time of construction, where the building materials used may not fully comply with the most recent Government guidance or where remedial works may need to be performed in line with the SRT, Welsh Pact or Scottish Safer Buildings Accord. For these developments we have established that the cost of the remedial works satisfies the accounting requirements of a provision at the balance sheet date. While a prudent approach has been taken, the extent of the provision could increase or reduce in line with normal accounting practice, if new issues are identified or if estimates change, as Bellway and building owners continue to undertake investigative works on these and other schemes within the legacy portfolio.

Market investigation by the Competition and Markets Authority

The UK Competition and Markets Authority ('CMA') launched a market study into the housebuilding sector in England, Scotland and Wales in February 2023, the results of which were published in the CMA's final report on 26 February 2024.

During the study, the CMA stated that it also found evidence which indicated some housebuilders may be sharing commercially sensitive information with competitors, which could be influencing the build-out rate of sites and the prices of new homes. While the CMA does not consider such sharing of information to be one of the main factors in the persistent under delivery of homes, the CMA is concerned that it may weaken competition in the market. As a result, the CMA has launched an investigation under the Competition Act 1998 into eight housebuilders, including Bellway. The CMA has not yet reached any conclusions, and Bellway will continue to engage positively and co-operate fully with the CMA during the investigation.

Notes (continued)

14. Alternative performance measures

Bellway uses a variety of alternative performance measures ('APMs') which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of APMs and IFRS measures when reviewing the performance, position and cash of the Group.

The APMs used by the Group are defined below:

- **Underlying gross profit and underlying operating profit** – Both of these measures are stated before net legacy building safety expense and exceptional items, and are reconciled to total gross profit and total operating profit on the face of the consolidated income statement. The Directors consider that the removal of the net legacy building safety expense and exceptional items provides a better understanding of the underlying performance of the Group.

- **Underlying gross margin** – This is gross profit before net legacy building safety expense and exceptional items, divided by total revenue. The Directors consider this to be an important indicator of the underlying trading performance of the Group.

- **Underlying administrative expenses as a percentage of revenue** – This is calculated as the administrative expenses before any directly attributable administrative expenses relating to the net legacy building safety expense and exceptional items divided by total revenue. The Directors consider this to be an important indicator of how efficiently the Group is managing its administrative overhead base.

- **Administrative expenses as a percentage of revenue** – This is calculated as the total administrative expenses divided by total revenue. The Directors consider this to be an important indicator of how efficiently the Group is managing its administrative overhead base.

- **Underlying operating margin** – This is operating profit before net legacy building safety expense and exceptional items divided by total revenue. The Directors consider this to be an important indicator of the operating performance of the Group.

- **Net underlying finance expense** – This is the net finance expense before any directly attributable finance expense or finance income relating to the net legacy building safety expense and exceptional items. The Directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.

- **Net finance expense** – This is finance expenses less finance income. The Directors consider this to be an important measure when assessing whether the Group is using the most cost effective source of finance.

- **Underlying profit before taxation** – This is the profit before taxation before net legacy building safety expense and exceptional items. The Directors consider this to be an important indicator of the profitability of the Group before taxation.

- **Underlying profit for the year** – This is the profit for the year before net legacy building safety expense and exceptional items. The Directors consider this to be an important indicator of the profitability of the Group.

- **Underlying earnings per share** – This is calculated as underlying profit for the year divided by the weighted average number of ordinary shares in issue during the year (excluding the weighted average number of ordinary shares held by the Company or Trust which are treated as cancelled). This is calculated in note 4.

- **Underlying dividend cover** – This is calculated as underlying profit for the year per ordinary share divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of underlying earnings paid to shareholders and reinvested in the business.

- **Dividend cover** – This is calculated as earnings per ordinary share for the period divided by the dividend per ordinary share relating to that period. At the half year the dividend per ordinary share is the proposed interim ordinary dividend, and for the full year it is the interim dividend paid plus the proposed final dividend. The Directors consider this an important indicator of the proportion of earnings paid to shareholders and reinvested in the business.

Notes (continued)

14. Alternative performance measures (continued)

- **Capital invested in land, net of land creditors, and work-in-progress** – This is calculated as shown in the table below. The Directors consider this as an indicator of the net investment by the Group in the period to achieve future growth.

Per balance sheet	2024 £m	2023 £m	Mvt £m	2023 £m	2022 £m	Mvt £m
Land	**2,431.4**	**2,578.8**	**(147.4)**	2,578.8	2,786.4	(207.6)
Work-in-progress	**2,123.9**	**1,861.6**	**262.3**	1,861.6	1,524.8	336.8
Increase in capital invested in land and work-in-progress in the year			**114.9**			129.2
Land creditors	**(225.3)**	**(368.8)**	**143.5**	(368.8)	(393.4)	24.6
Increase in capital invested in land, net of land creditors, and work-in-progress in the year			**258.4**			153.8

- **Net asset value per ordinary share ('NAV')** – This is calculated as total net assets divided by the number of ordinary shares in issue at the end of each period. The Directors consider this to be a proxy when reviewing whether value, on a share by share basis, has increased or decreased in the period.

- **Capital employed** – Capital employed is defined as the total of equity and net debt. Equity is not adjusted where the Group has net cash. The Directors consider this to be an important indicator of the operating efficiency and performance of the Group.

- **Underlying return on capital employed ('underlying RoCE')** – This is calculated as operating profit before net legacy building safety expense and exceptional items divided by the average capital employed. Average capital employed is calculated based on opening, half year and closing capital employed. The calculation is shown in the table below. The Directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

	2024 Capital employed £m	2024 Land creditors £m	2024 Capital employed including land creditors £m	2023 Capital employed £m	2023 Land creditors £m	2023 Capital employed including land creditors £m
Underlying operating profit	**238.1**		**238.1**	543.9		543.9
Capital employed/land creditors:						
Opening	**3,461.6**	**368.8**	**3,830.4**	3,367.8	393.4	3,761.2
Half year	**3,434.2**	**238.5**	**3,672.7**	3,481.4	372.4	3,853.8
Closing	**3,475.9**	**225.3**	**3,701.2**	3,461.6	368.8	3,830.4
Average	**3,457.2**	**277.5**	**3,734.7**	3,436.9	378.2	3,815.1
Underlying return on capital employed	**6.9%**		**6.4%**	15.8%		14.3%

- **Return on capital employed ('RoCE')** – This is calculated as operating profit divided by the average capital employed. Average capital employed is calculated based on opening, half year and closing capital employed. The calculation is shown in the table below. The Directors consider this to be an important indicator of whether the Group is achieving a sufficient return on its investments.

Notes (continued)

14. Alternative performance measures (continued)

	2024 Capital employed £m	**2024 Land creditors £m**	**2024 Capital employed including land creditors £m**	2023 Capital employed £m	2023 Land creditors £m	2023 Capital employed including land creditors £m
Operating profit	**212.8**		**212.8**	505.3		505.3
Capital employed/land creditors:						
Opening	**3,461.6**	**368.8**	**3,830.4**	3,367.8	393.4	3,761.2
Half year	**3,434.2**	**238.5**	**3,672.7**	3,481.4	372.4	3,853.8
Closing	**3,475.9**	**225.3**	**3,701.2**	3,461.6	368.8	3,830.4
Average	**3,457.2**	**277.5**	**3,734.7**	3,436.9	378.2	3,815.1
Return on capital employed	**6.2%**		**5.7%**	14.7%		13.2%

- **Asset turn** – Asset turn is calculated as revenue divided by the average capital employed. Average capital employed is calculated based on opening, half year and closing capital employed. The Directors consider this to be an important indicator of how efficiently the Group is using its assets to generate revenue

- **Underlying post tax return on equity** – This is calculated as profit for the year before net legacy building safety expense and exceptional items, divided by the average of the opening, half year and closing net assets. The Directors consider this to be a good indicator of the operating efficiency of the Group.

	2024 £m	2023 £m
Underlying profit for the year	**160.6**	402.2
Net assets:		
Opening	**3,461.6**	3,367.8
Half year	**3,434.2**	3,481.4
Closing	**3,465.4**	3,461.6
Average	**3,453.7**	3,436.9
Underlying post tax return on equity	**4.7%**	11.7%

- **Post tax return on equity** – This is calculated as profit for the year divided by the average of the opening, half year and closing net assets. The Directors consider this to be a good indicator of the operating efficiency of the Group.

	2024 £m	2023 £m
Profit for the year	**130.5**	365.0
Net assets:		
Opening	**3,461.6**	3,367.8
Half year	**3,434.2**	3,481.4
Closing	**3,465.4**	3,461.6
Average	**3,453.7**	3,436.9
Post tax return on equity	**3.8%**	10.6%

Notes (continued)

14. Alternative performance measures (continued)

- **Total growth in value per ordinary share** – The Directors use this as a proxy for the increase in shareholder value since 31 July 2021. A period of 3 years is used to reflect medium-term growth.

Net asset value per ordinary share:		
At 31 July 2024	2,913p	
At 31 July 2021	2,664p	
Net asset value growth per ordinary share		249p
Dividend paid per ordinary share:		
Year ended 31 July 2024	111.0p	
Year ended 31 July 2023	140.0p	
Year ended 31 July 2022	127.5p	
Cumulative dividends paid per ordinary share		378.5p
Total growth in value per ordinary share		627.5p

- **Annualised accounting return in NAV and dividends paid since 31 July 2021** – This is calculated as the annualised increase in net asset value per ordinary share plus cumulative ordinary dividends paid per ordinary share since 31 July 2021 (as detailed above) divided by the net asset value per ordinary share at 31 July 2021. The Directors use this as a proxy for the increase in shareholder value since 31 July 2021.

Net asset value growth per ordinary share	249p
Cumulative dividends paid per ordinary share	378.5p
Total growth in value per ordinary share	627.5p
Net asset value per ordinary share at 31 July 2021	2,664p
Total value per ordinary share	3,291.5p
Annualised accounting return $= \left(\frac{3,291.5}{2,664}\right)^{\wedge(1/3)} - 1$	7.3%

- **Annualised accounting return in NAV and dividends paid since 31 July 2014** – This is calculated as the annualised increase in net asset value per ordinary share plus cumulative ordinary dividends paid per ordinary share since 31 July 2014 divided by the net asset value per ordinary share at 31 July 2014. The Directors use this as a proxy for the increase in shareholder value since 31 July 2014.

Net asset value per ordinary share:		
At 31 July 2024	2,913p	
At 31 July 2014	1,118p	
Net asset value growth per ordinary share		1,795p
Dividend paid per ordinary share:		
Year ended 31 July 2024	111.0p	
Year ended 31 July 2023	140.0p	
Year ended 31 July 2022	127.5p	
Year ended 31 July 2021	85.0p	
Year ended 31 July 2020	100.0p	
Year ended 31 July 2019	145.4p	
Year ended 31 July 2018	132.5p	
Year ended 31 July 2017	111.5p	
Year ended 31 July 2016	86.0p	
Year ended 31 July 2015	61.0p	
Cumulative dividends paid per ordinary share		1,099.9p
Total growth in value per ordinary share		2,894.9p
Net asset value per ordinary share at 31 July 2014		1,118p
Total value per ordinary share		4,012.9p
Annualised accounting return = $\left(\frac{4,012.9}{1,118}\right)^{\wedge(1/10)}$ -1		13.6%

Notes (continued)

14. Alternative performance measures (continued)

- **Underlying capital growth in the period** – This is calculated as capital growth in the period before net legacy building safety expense and exceptional items per share.

Capital growth in the period	153.0p
Net legacy building safety expense and exceptional items per share	25.3p
Underlying capital growth in the period	178.3p
Net asset value at 31 July 2023	2,871p
Underlying capital growth (178.3p/2,871p)	6.2%

- **Capital growth in the period** – This is calculated as the increase in NAV in the period combined with the ordinary dividend paid in the year.

Net asset value per ordinary share:		
At 31 July 2024	2,913p	
At 31 July 2023	2,871p	
Net asset value growth per ordinary share		42p
Dividend paid per ordinary share:		
Year ended 31 July 2024		111.0p
Capital growth in the period		153.0p

- **Net cash/(debt)** – This is the cash and cash equivalents less bank debt and fixed rate sterling USPP notes. Net cash/(debt) does not include lease liabilities, which are reported within trade and other payables on the balance sheet. The Directors consider this to be a good indicator of the financing position of the Group. This is reconciled in note 8.

- **Average net cash/(debt)** – This is calculated by averaging the net cash/(debt) position at 1 August and each month end during the year. The Directors consider this to be a good indicator of the financing position of the Group throughout the year.

- **Cash generated from operations before investment in land, net of land creditors, and work-in-progress** – This is calculated as shown in the table below. The Directors consider this as an indicator of whether the Group is generating cash before investing in land and work-in-progress to achieve future growth.

	2024 £m	2023 £m
Cash (utilised in)/from operations	**(20.2)**	372.9
Add: increase in capital invested in land, net of land creditors, and work-in-progress (as described above)	**258.4**	153.8
Cash generated from operations before investment in land, net of land creditors, and work-in-progress	**238.2**	526.7

- **Adjusted gearing** – This is calculated as the total of net cash/(debt) and land creditors divided by total equity. The Directors believe that land creditors are a source of long-term finance so this provides an alternative indicator of the financial stability of the Group.

- **Gearing –** This is calculated as net debt divided by total equity. The Directors consider this to be a good indicator of the financial stability of the Group.

Notes (continued)

14. Alternative performance measures (continued)

- **Order book** – This is calculated as the total expected sales value of current reservations that have not legally completed. The Directors consider this to be an important indicator of the likely future operating performance of the Group.

15. Post balance sheet events

Post year end, the Group entered into both a lease agreement for an industrial unit where Bellway will set up its own timber frame manufacturing facility and placed an order for robotic equipment which has the capability to manufacture both open panel systems and pre-insulated closed panel timber frame systems. This has increased capital commitments by around £20 million.

Principal risks and uncertainties

A risk register is maintained detailing all potential risks and our risk management processes ensure that all aspects of the Group are considered, from strategy through to operational execution which includes any specialist business areas.

The risk register is reviewed as part of our management reporting processes, resulting in the regular assessment of risk, severity and any required mitigating actions. The severity of risk is determined based on a defined scoring system assessing risk impact and likelihood.

A summary of risks is reported to management, the Audit Committee and the Board, which is mainly, but not exclusively, comprised of risks considered to be outside of our risk appetite after mitigation. This summary is reviewed throughout the year, with the Board systematically considering the risks and any changes that have occurred.

Once a year, via the Audit Committee, the Board determines whether the risk management framework is appropriately designed and operating effectively. The Directors confirm that they have conducted a robust assessment of the principal risks facing the Group.

The Board has completed its assessment of the Group's emerging and principal risks. The following nine principal risks to our business have been identified:

Risk and description	Strategic relevance	KPIs	Mitigation
Construction resources Shortages of building materials and appropriately skilled subcontractors at competitive prices.	▪ Failure to secure the required quantity and quality of resources causes delays, impacting the ability to deliver volume growth targets. ▪ Pricing pressures / increased costs impact returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ EPS. ▪ Gross margin. ▪ Customer satisfaction score.	▪ Robust forecasting and forward planning of labour and materials requirements. ▪ Processes are in place to select, appoint, manage, and build long-term relationships with subcontractors and suppliers.
Climate change and the environment Failure to evolve sustainable business practices and operations in response to climate change, including physical environmental impacts and transition risks associated with new regulation, reporting requirements, and increased social / market expectations.	▪ There is an increased focus on the actions taken by businesses in response to climate change and the disclosures made. Failure to improve policies, reporting and performance in line with new Government regulations and heightened social / market expectations could lead to financial penalties and reputational damage. The physical impacts of climate change (such as extreme weather) could lead to disruptions within the supply chain and build programmes.	▪ Tonnes of carbon emissions per legal completion. ▪ Percentage of renewable electricity. ▪ Tonnes of waste per home built. Percentage of waste diverted from landfill.	▪ Continual monitoring of new and evolving requirements as part of our legal and regulatory compliance framework, including TCFD, the Future Homes Standard and the Environment Act. ▪ Climate change and carbon reduction is a key priority under the Group's 'Better with Bellway' sustainability strategy. ▪ Dedicated sustainability, innovations and biodiversity resource in place to assess risks relating to climate change, monitor performance and drive improvement. ▪ Consultation with specialist external advisers and subject matter experts (e.g. sustainability consultants). ▪ Regular review of the design and features of new homes, along with construction methods and the sustainability of materials, to increase energy efficiency and reduce waste. ▪ Investment in energy-saving measures for offices and sites, including transition to REGO certified electricity. ▪ Development and monitoring of science-based carbon reduction targets.
Economy and market Changes in the external environment (including, but not limited to, house price inflation, interest rates, mortgage availability, unemployment, Government housing policy and post-Brexit trade agreements) reduce the affordability of new homes.	▪ Reduced affordability has a negative impact on customer demand for new homes and consequently our ability to generate sales at good returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score. ▪ Reservation rate. ▪ Order book value.	▪ Board level monitoring of the housing market and economic environment alongside key business metrics, leading to development of action plans as necessary. ▪ Disciplined operating framework, strong balance sheet and low financial gearing. ▪ Product range and pricing strategy based on regional market conditions. ▪ Regular engagement with industry peers, representative bodies, and new build mortgage lenders. ▪ Use of sales incentives such as part-exchange, and Government-backed schemes to encourage the selling process. ▪ Quarterly site valuations and monthly budget reviews based on latest market data.

Health and safety A serious health and safety breach and/or incident occurs.	▪ Failure to maintain safe working conditions would impact employee wellbeing and the creation of a positive working environment. ▪ Injury to an individual while at one of our business locations could delay construction and result in criminal prosecution, civil litigation, and reputational damage.	▪ Number of RIDDOR seven-day reportable incidents per 100,000 site operatives. ▪ Health and safety incident rate. ▪ Number of NHBC Pride in the Job Awards.	▪ Health and safety policy and procedures in place, supported by Group-wide training. ▪ Regular visits to sites by both our Group Health and Safety function (independent of divisions) and external specialist consultants to monitor standards and performance against health and safety policies and legislation. ▪ The Board considers health and safety matters at each meeting.
Human resources Inability to attract, recruit and retain high quality people.	▪ Failure to attract and retain people with appropriate skills would affect our ability to perform and deliver our strategy and volume growth targets.	▪ Employee turnover. ▪ Number of graduates, trainees, and apprentices. ▪ Employees who have worked for the Group for ten years or more. ▪ Training days per employee. ▪ Senior management gender split. ▪ Percentage of staff in earn and learn roles. ▪ Employee engagement survey response rate.	▪ Continued development of our Group HR function and implementation of our people strategy. ▪ Established human resources programme for apprentices, graduates, and site management. ▪ Monitoring of staff turnover, absence data and analysis of feedback from exit interviews. ▪ Competitive salary and benefits packages, which are regularly reviewed and benchmarked. ▪ Employee engagement activities undertaken, including an annual survey, with results communicated to the Board. ▪ Succession plans in place and key person dependencies identified and mitigated. ▪ Robust programme of training provided to employees which is regularly updated and refreshed. ▪ Development programmes for senior leaders and middle managers in place.
IT and security Failure to have suitable IT systems in place that are appropriately supported and secured.	▪ Poor performance of our systems would disrupt operational activity and impact the delivery of our strategy. ▪ An IT security breach could result in the loss of data, with significant potential fines and reputational damage.	▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Customer Satisfaction score.	▪ Continued investment in infrastructure and systems. ▪ Group-wide systems in operation which are centrally controlled by an in-house IT function, supported by a specialist outsourced provider. ▪ IT security policy and procedures in place with regular Group-wide training. ▪ Regular review and testing of our IT security measures, contingency plans and policies. ▪ Security Committee in place.
Land and planning Inability to source suitable land at appropriate gross margins and return on capital employed. Delays and complexity in the planning process.	▪ Insufficient land at appropriate margins, onerous planning conditions or a failure to obtain planning approval within appropriate timescales would exacerbate the challenge of developing new homes, restrict our ability to deliver volume growth targets and impact future returns.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin. ▪ Number of plots in owned and controlled land bank with DPP. ▪ Number of plots in 'pipeline'. ▪ Number of plots in strategic land bank – positive planning status. ▪ Number of plots in strategic land bank – longer-term interests. ▪ Number of plots acquired with DPP. ▪ Number of plots converted from medium-term 'pipeline'.	▪ Continued development of our Group Strategic Land function and implementation of our land strategy. ▪ Increased investment in land and more sites with detailed planning permission ('DPP'). ▪ Regular review by both Group and divisions of the quantity, location, and planning status of land against growth targets to ensure our land bank supports immediate, medium-term, and strategic requirements. ▪ Formal land acquisition process in place for the appraisal and approval of all land purchases, including pre-purchase due diligence and Group level challenge of viability assumptions. ▪ Group and divisional planning specialists in place to support the securing of implementable planning permissions.
Legal and regulatory compliance Failure to comply with legislation and regulatory requirements, including the Self Remediation Terms.	▪ Lack of an appropriate compliance framework and/or compliance breaches could incur fines, delay business operations and lead to re-work across sites, which will impact our reputation and profitability.	▪ Number of homes sold. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Gross margin.	▪ In-house expertise from Group functions such as Company Secretariat, Legal, Health and Safety and Technical / Design, who advise and support divisions on legal compliance and regulatory matters. ▪ Consultation with Government agencies, specialist external legal advisers and subject matter experts, (e.g., fire safety engineers). ▪ Strengthened Group-wide policies, guidance, and training in place supported by externally facilitated whistleblowing and reporting procedures. ▪ Continual monitoring and review of changes to legislation and regulation, including Government guidance, advice notes and sector specific updates. ▪ Regular liaison with industry peers and the HBF on compliance requirements and matters.

Unforeseen significant event An unforeseen significant national or global event occurs.	▪ The economic uncertainty brought about by an unforeseen significant event, could materially impact the Group's operations and liquidity. ▪ Damage to reputation if the Group is not perceived to be following Government guidelines and acting responsibly.	▪ NAV. ▪ Operating profit. ▪ Operating margin. ▪ RoCE. ▪ EPS. ▪ Total dividend per ordinary share. ▪ Gross margin. ▪ Reservation rate. ▪ Order book value. ▪ Employee turnover.	▪ Strong balance sheet, low financial gearing, committed bank loan facilities and USPP debt which would help ensure resilience during a recession. ▪ Maintenance of business resilience and continuity plans covering offices, sites, and IT. ▪ Experienced and well-established senior management team. ▪ Continued investment in systems and infrastructure to enable robust agile working. ▪ Monitoring of Government guidelines (including the Construction Leadership Council). ▪ Regular communications with subcontractors and suppliers to understand any potential issues as a result of the event on their own business and supply chain.

The Group also considers any emerging risks that have the potential to impact the achievement of our strategy, but which cannot yet be fully defined and assessed. These uncertainties are reviewed as part of our established risk management framework, discussed regularly by management, the Audit Committee and the Board of Directors, and elevated to principal risks (either as new risks or an extension of existing risks) when warranted.

Glossary

Affordable Housing

Social rented and intermediate housing provided to specified eligible households whose needs are not met by the market, at a cost low enough for them to afford, determined with regard to local incomes and local house prices. It is generally provided by councils and not-for-profit organisations such as housing associations.

Average Selling Price

Calculated by dividing the total housing revenue by the number of homes sold.

Biodiversity Net Gain ('BNG')

Is an approach to development and land management, that aims to leave the natural environment in a measurably better state than it was beforehand.

Cancellation Rate

The rate at which customers withdraw from a house purchase after paying the reservation fee, but before contracts are exchanged, usually due to difficulties in obtaining mortgage finance. Reservation fees are refunded in accordance with the New Homes Quality Code.

Earnings per Share ('EPS')

Profit attributable to ordinary equity shareholders divided by the weighted average number of ordinary shares in issue during the financial year, excluding the weighted average number of ordinary shares held by the Company or Trust which are treated as cancelled.

Executive Board

The Executive Board is made up of the Executive Directors of Bellway p.l.c.

Home Builders' Federation ('HBF')

The HBF is an industry body representing the homebuilding industry in England and Wales. It represents member interests on a national and regional level to create the best possible environment in which to deliver new homes.

Land Bank

The land bank is comprised of three tiers: i) owned or unconditionally contracted land with an implementable detailed planning permission ('DPP'); ii) medium-term 'pipeline' land owned or controlled by the Group, pending an implementable DPP; iii) strategic long-term plots which are typically held under option or through a promotion agreement.

Land with DPP

Plots owned or unconditionally contracted by the Group where there is an implementable detailed planning permission.

Legacy Building Safety Improvements Provision

Included within this provision, there are two components (i) SRT and associated review, and (ii) Structural defects provision.

MHCLG

Ministry of Housing, Communities and Local Government formally called Department for Levelling Up, Housing and Communities ('DLUHC').

National House Building Council ('NHBC')

The NHBC is the leading warranty insurance provider and body responsible for setting standards of construction for UK housebuilding for new and newly converted homes.

Net Legacy Building Safety Expense

This contains the income statement movements in relation to the legacy building safety improvements provision and any associated reimbursement assets.

New Homes Quality Board ('NHQB')

An independent not-for-profit body which was established for the purpose of developing a new framework to oversee reforms in the build quality of new homes and the customer service provided by developers.

New Homes Quality Code ('NHQC')

An industry code of practice that lays out a mandatory set of requirements which must be adopted and observed by all registered developers.

Pipeline

Plots owned or contracted by the Group, pending an implementable detailed planning permission, with development generally expected to commence within the next three years.

Planning Permission

Usually granted by the local planning authority, this permission allows a plot of land to be built on, change its use or for an existing building to be redeveloped or altered.

Permission is either 'outline' when detailed plans are still to be approved, or 'detailed' when detailed plans have been approved.

REGO

Renewable Energy Guarantees of Origin.

Residential Property Developer Tax ('RPDT')

RPDT is a tax, introduced in April 2022, which is charged at a rate of 4% on certain profits of companies carrying out residential property development.

Science Based Target initiative ('SBTi')

Science-based targets provide companies and financial institutions with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

Self-Remediation Terms ('SRT')

Is a commitment to remediate buildings over 11 metres in height with identified life critical fire safety issues, which were constructed in England since 5 April 1992.

Site/Phase

A site is a concise area of land on which homes are being constructed. Larger sites may be divided into a number of phases which are developed at different times.

Social Housing

Housing that is let at low rents and on a secure basis to people in housing need. It is generally provided by councils and not-for-profit organisations such as housing associations.

Strategic Land Holdings

These are plots which are typically held under option or through a promotion agreement.

The 5% Club

Members of The 5% Club aspire to achieve 5% of their workforce in 'earn and learn' positions (including apprentices, sponsored students and graduates on formalised training schemes) within 5 years of joining.

Underlying

Underlying refers to any statutory performance measure or alternative performance measure which is before net legacy building safety expense and exceptional items. The Group believes that underlying metrics are useful for investors as these measures are closely monitored by the Directors in assessing Bellway's operating performance, thereby allowing investors to understand and evaluate performance on the same basis as management.

Certain statements in this presentation are forward-looking statements which are based on Bellway p.l.c.'s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "may", "could", "should" or other words of similar meaning. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including, but not limited to, those risks set out in the "Principal Risks" section in our most recently published annual report and accounts. Given these risks and uncertainties, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law or regulation, Bellway p.l.c. undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.